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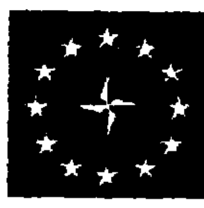

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FRIDAY FEBRUARY 23 1996

Europe joins US complaint on music piracy in Japan

The European Union joined the US in complaining to the World Trade Organisation about Japan's failure to protect pre-1971 sound recordings from copyright piracy. Performers affected by unlicensed copying of pre-1971 recordings in Japan include pop groups such as the Beatles and Rolling Stones and solo artists such as Frank Sinatra and Elvis Presley. The US industry puts losses from piracy in Japan at some $500m, while the European recording industry said it was losing sales of at least $120m a year. Page 4

Mannesmann, the German engineering and telecommunications group, reported a 50 per cent rise in 1995 operating profits to DM900m ($604m) but the improved figures were at the bottom end of expectations and analysts said the group would find it more difficult in a slower moving economy this year. Page 23; Lex, Page 22

German bond issue hit by Emu doubts: The German bond market was thrown into confusion by unusually low bidding on a DM10bn ($6.8bn) issue of five-year government paper, which reflected domestic investors' concern over European monetary union. Page 22

Wall Street soars: The US equity market shrugged off a lacklustre performance on the bond market with the Dow Jones Industrial Average soaring more than 80 points to about 5,596 within half an hour of the close. The technology-rich Nasdaq composite was on course to set a new record. World stocks, Page 32

Pharmacia & Upjohn, the newly-merged Swedish-American drugs group, said merger and restructuring costs had pushed net profits down from $833m in 1994 to $739m last year. Page 23

Stena Line of Sweden, the world's biggest ferry operator, said competition from Eurotunnel, the operator of the Channel tunnel, was partly to blame for a drop in its 1995 profits to SKr201m ($29.7m) from SKr502m a year earlier. Page 26

Britons top complaints to EU ombudsman:

Britons filed the largest number of complaints with the EU's first ombudsman Jacob Söderman (left) in the five months since he took up the office. Germans and Spanish numbered second and third respectively in the list of complainants, while secrecy and favouritism were the most common problems. Luxembourgers lodged fewest complaints. Page 2

Viag, the German energy and industrial group, reported operating profit for 1995 of DM2.1bn ($1.45bn) and said it would increase its dividend by DM2 to DM12. Page 26

Konica, the Japanese film and camera maker, is tying up with US company Kodak to make new cameras based on a system which combines the advantages of conventional 35mm photography with the benefits of digital cameras. Page 4

Alitalia, Italy's national airline, unveiled a plan to restructure the troubled carrier and permit a L1,500bn ($950m) capital increase. Page 3

Rewe, Germany's biggest food retailer, expects to lift turnover to more than DM50bn ($34.4bn) this year after sales rose 5.3 per cent to DM48.4bn last year. Page 27

Den Danske Bank, Denmark's largest bank, announced a sharp increase in net profits to DKr3.63bn ($645.4m) from DKr618m last year after gains on its securities portfolio and reduced loss provisions. Page 27

Sweden cuts lending rate: Sweden's central bank cut its key lending rate for the fourth time this year as statistics showed inflation fell to 2.0 per cent in January. Page 2

Rand steadies after 5-day fall: The steadying of the rand, after it fell to successive all-time lows against the dollar over the past five trading days, prompted calls for swift action to cut the South African budget deficit. Page 3

Bosnian president in hospital: Bosnia's 70-year-old President Alija Izetbegovic was taken to hospital in Sarajevo with suspected heart trouble. Page 2

Cricket World Cup: An unbeaten century from Graeme Hick guided England to a 49-run win over the Netherlands in their cricket World Cup match in Peshawar, Pakistan. England scored 279-4 before containing the Netherlands to 230-6 off 50 overs.

STOCK MARKET INDICES

New York: lunchtime		
Dow Jones Ind Av	5,558.86	(+42.99)
NASDAQ Composite	1,113.38	(+16.53)
Europe and Far East		
CAC40	1,953.26	(+18.39)
DAX	2,412.0	(20.88)
FT-SE 100	3,748.0	(+14.4)
Nikkei	20,340.64	(-31.29)

US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	4.849%
Long Bond	95¾
Yield	6.352%

OTHER RATES

UK: 3-mo Interbank	6¼%	(6¼%)
UK: 10 yr Gilt	97½	(97¾)
France: 10 yr OAT	103.83	(103.87)
Germany: 10 yr Bond	97.4	(97.6)
Japan: 10 yr JGB	109.775	(same)

NORTH SEA OIL (Argus)

Brent 15-day (Apr)	$18.155	(17.87)

GOLD

New York Comex		
(Apr)	$401.5	(404.0)
London:		
close	$400.20	(397.55)

DOLLAR

New York lunchtime		
£	1.545	
DM	1.4466	
FFr	4.9895	
SFr	1.1813	
Y	105.005	
London:		
£	1.5433	(1.5445)
DM	1.4516	(1.4513)
FFr	4.9976	(5.0018)
SFr	1.1825	(1.1845)
Y	105.02	(105.15)

STERLING

DM	2.2402	(2.2415)
Tokyo close:	Y 105.115	

Austria	Sch33	Greece	Dr400	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$30	Malta	Lm0.85	S.Arabia	SR12
Belgium	BFr75	Hungary	Ft250	Morocco	MDh16	Singapore	S$4.30
Bulgaria	Lev120.00	Iceland	IKr250	Neth	Fl 4.75	Slovak Rp	Sk65
Cyprus	C£1.20	India	Rs75	Nigeria	Naira90	S. Africa	R12.00
Czech Rp	Kc60	Israel	Shk12.00	Norway	NKr20.00	Spain	Pta250
Denmark	DKr18	Italy	L3500	Oman	OR1.50	Sweden	SKr20
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.70
Estonia	EKr 22	Jordan	JD1.50	Poland	Zl 5.50	Syria	S£65.00
Finland	FM15.00	Kuwait	Fils600	Portugal (mainland)	Esc325	Tunisia	Din1.750
France	FFr11.50	Lebanon	US3.00			Turkey	L70,000
						UAE	Dh12.00

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Greece, Turkey in feud over aid

Fresh tensions erupt as Ankara recalls ambassador after Athens blocks EU deal

By Caroline Southey in Brussels and Michael Lindemann in Bonn

Fresh tensions erupted between Greece and Turkey yesterday as Ankara recalled its ambassador to Athens after Greece blocked agreement in the European Union on an aid package for Turkey.

The latest crisis comes weeks after an outbreak of hostilities between the two countries was narrowly averted over sovereignty rights in the Aegean. The incident, involving a dispute over two islets, led to threatened military action by the two countries and was defused after the intervention of Mr Richard Holbrooke, who has just retired as US assistant secretary of state.

Turkey said it was recalling its ambassador for consultations after "a series of hostile actions against Turkey's vital interests by Greece – using the islands crisis as an excuse – and by its moves aiming particularly to hurt Turkey-EU ties".

The announcement came hours after it emerged that Greece had succeeded in postponing an EU decision on a five-year, Ecu375m ($474.4m) aid package for Turkey which was due to be agreed by EU foreign ministers at a meeting in Brussels on Monday.

The aid package was designed to help Turkey adjust to the impact of a customs union agreement between the EU and Ankara which will give EU industrial goods duty free access to Turkey.

Mr Costas Simitis, the Greek prime minister, speaking in Bonn after a meeting with Chancellor Helmut Kohl, warned that the "question of the islands has to be cleared up before further progress can be made".

Mr Theodoros Pangalos, the Greek foreign minister, further underlined the Greek position by maintaining that the customs union had been "severely violated by Turkey. It is impossible that the EU will have friendly relations with countries which attack members of the EU. Third countries must behave".

Mr Pangalos said it was the "first time this has happened. It is a very serious event and the EU will take a position on [the matter]". He said it would be "very difficult" for Greece to agree to the aid package "at this point".

Italy, which currently holds the EU presidency, confirmed that the aid package had been struck off Monday's agenda at the request of Greece. However, foreign ministers are still expected to discuss the issue over lunch.

The Greek action provoked an angry response from some member states, notably France. However, other member states emphasised that although Greece was isolated in seeking to delay the decision, it was nevertheless not seeking to renegotiate the terms of the agreement.

Greek officials said blocking the aid package was a "tactical move" and stressed that the new Greek government under Mr Simitis was anxious not to damage relations with its EU partners.

In Ankara Ms Tansu Çiller, the Turkish prime minister, asked its allies "to lead Greece to renounce the dangerous path it has taken". She added that Turkey, "even if it remains alone, has the power and determination necessary to counter Greece's hostile policy".

Political boost for Yeltsin ■ Moscow to scrap oil and gas export tariffs

IMF to lend Russia $10bn over three years

By Chrystia Freeland in Moscow and Robert Corzine in London

The International Monetary Fund yesterday announced a $10.2bn three-year loan for Russia, in a powerful endorsement of President Boris Yeltsin's economic reforms.

The loan, second in size only to the IMF's bail-out of Mexico last year, is an important financial and political boost for Mr Yeltsin, who faces a bitter battle with Communists in next June's presidential elections.

Announcing the deal, Mr Michel Camdessus, the IMF managing director, added a further flourish with the bullish prediction that Russia's gross domestic product would grow by between 2.2 per cent and 4 per cent annually over the next two years and would reach a robust yearly rate of 6 per cent after that.

In exchange, the Kremlin has promised to scrap oil and gas export tariffs by July and to stick to a tight fiscal and monetary policy designed to bring inflation down to 1 per cent a month by the end of the year.

Mr Camdessus said the money would be disbursed in monthly instalments, following the strict practice the IMF introduced in last year's $6bn loan to Russia.

This schedule will give the fund substantial leverage over the Russian government, and Mr Camdessus warned that if a new, Communist administration chose to break with Mr Yeltsin's economic policies, the IMF would not hesitate to withdraw financial aid.

The IMF chief also said the programme would not permit "back-tracking" on privatisation, in an apparent response to mounting calls for a partial return to state ownership.

Some Russian observers worry that Mr Yeltsin, who dismissed the most prominent reformers from his cabinet last month and has made a spate of high-spending promises, might deviate from the painful path of reforms before the elections.

But Mr Camdessus gave the Russian leader his vote of confidence, saying that Mr Yeltsin's most high-profile promise – to pay off wage arrears – could be accommodated within the austere budget agreed with the IMF.

IMF managing director Michel Camdessus announcing at a news conference in Moscow a $10.2bn loan to Russia. The loan is the second biggest after last year's IMF bail-out of Mexico
Picture: Reuter

However, Mr Camdessus said he was referring only to the Rbs3,500bn ($720m) owed to federal government workers, which accounts for less than a fifth of the national mountain of wage arrears that has turned millions of unpaid workers against Mr Yeltsin.

The president could find himself empty-handed if the government, which collected only 55 per cent of planned revenues last month, does not find a way to improve tax collection.

Industry analysts said the lifting of the export tax on oil and gas should give a boost to Russia's big energy exporters.

But the measure, which Russian officials said was the biggest sticking point in negotiations, could also boost the domestic price of energy and some observers feared the Kremlin might delay replacing the export tariffs with an internal excise tax.

Russia's red barons may derail nickel privatisation, Page 3

Fears over monetary union hit German bond issue

By Andrew Fisher in Frankfurt

The German bond market was thrown into confusion yesterday by unusually low bidding on a DM10bn ($6.8bn) issue of five-year government paper, which partly reflected domestic investors' concern over European monetary union.

Because the issue matures in November 2000, some economists said the response showed private investors were nervous over different views being expressed on Emu's timing and probability. If monetary union starts on schedule in 1999, investors in the issue will be repaid in euros.

Politicians, notably Chancellor Helmut Kohl and Mr Theo Waigel, the finance minister, insist Emu must have a stable foundation and start on time. The Bundesbank, headed by Mr Hans Tietmeyer, stresses stability above all, suggesting delay would be better than Emu's later failure through economic weakness.

"Conflicting comments send a tremendously confusing signal to the client base," said Mr Robert Hammond, director of D-Mark bond products at Barclays de Zoete Wedd in London. "So they don't buy five-year paper." He called the problems with the auction of the medium-term Bundesobligationen (Bobl) "a watershed".

Other economists said Emu worries were only one factor. "The negative reaction in the market is partly due to the way the finance ministry and the Bundesbank handled the auction," said Mr Andrew Bosomworth, bond economist at Merrill Lynch, the US investment bank.

The average bid by German and foreign banks was 99.92 per cent of par, but the lowest accepted rate was an unusually low 99.01 per cent. Although the Bundesbank said there was only one low bid, the market responded badly to the fact that it was accepted. "It's not a good reflection of Finanzplatz Deutschland [Germany as a financial centre]," Mr Bosomworth said.

The Bundesbank said the government found the average price acceptable and had accepted all

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France to cut nuclear arms in sweeping defence review

By Our Foreign Staff and Agencies

President Jacques Chirac yesterday announced the biggest shake-up in French defence policy for several decades, scrapping its land-based nuclear missiles, ceasing production of fissile nuclear material, and moving to an all-professional army.

In a live television interview outlining the reforms, he said the size of the armed forces would be cut from 500,000 servicemen to 350,000 and the number of regiments from 124 to 83 or 85.

The move from conscription to an all-professional army would take six years.

In what appeared to be an attempt to regain the moral high-ground after French nuclear tests brought worldwide protest last year, Mr Chirac said he had decided to close France's only factory producing plutonium and weapons-grade enriched uranium at Pierrelatte, near Lyons. He said the country had plentiful stocks for its own weapons needs.

Announcing a package of reforms which went wider and deeper than many had predicted, the French president said 18 ageing land-based nuclear missiles on the southern Plateau d'Albion would be scrapped.

France would rely on four missile-firing submarines, and aircraft as the main arms of its nuclear deterrent.

The French president said only a professional army would be able to ensure France's security in the long term, coupling nuclear deterrence with an improved capacity to project large forces overseas.

"If we want to have a modern defence, we realise that can only happen with a professional army. And therefore I have decided to carry out a reform that will lead France to have a professional army within six years," he said.

Recalling the problems Paris had in putting together a major fighting force for the 1991 Gulf War, he said: "France must have the capacity to projet abroad in rapid and organised conditions a significant force of about 50,000 to 60,000 men. Today it can only manage 10,000."

In a gesture to Germany, France's main European ally, the French president said he had decided to dismantle the Hades nuclear missile, mothballed in 1991, but which worried Bonn because it could hit only German soil if fired from France.

Mr Chirac said the reform was essential because France no longer faced the danger of "invading hordes" but needed to project forces rapidly to meet diffuse threats to its interests around

Continued on Page 22

Thomson chief quit ahead of deal

Thomson-CSF, the defence electronics arm of Thomson, and the UK's General Electric Company were on the point of signing a worldwide joint venture to pool their sonar businesses when Mr Alain Gomez, the French defence group's president, resigned this week. Mr Gomez and Lord Weinstock, GEC's managing director, were also in advanced discussions about forming a joint holding company encompassing the sonar business, a venture for future airborne radar and several other operations where they could combine their expertise. The rapid pace of these international talks is thought to have provoked hasty announcements from the French government over the proposed sale of Thomson, and that Dassault and Aérospatiale, the two French aircraft makers, were to merge. Many senior figures in the French defence industry were away from Paris when the announcements were made. GEC and Thomson-CSF saw such ties as precursors to an overall joint venture pooling all of their defence electronics interests.
Full Story, Page 22

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NEWS: EUROPE

Alitalia seeks $950m capital increase

Management of Italy's national airline yesterday unveiled a four-point programme to restructure the troubled carrier

By Robert Graham in Rome

Alitalia, Italy's national airline, yesterday unveiled a four-point plan to restructure the troubled carrier and permit a L1,500bn ($950m) capital increase.

The proposal is the final opportunity for Alitalia, which is 90 per cent owned by the Iri state holding company, to avoid bankruptcy. However, it relies heavily upon the co-operation of the nine unions represented in the company, which have thwarted all efforts over the past two years to overhaul Alitalia.

Yesterday, the management appeared to have deliberately dropped the confrontational approach towards unions which had involved pushing ahead with cost cutting and imposing more flexible and productive work practices. Part of the reason was the appointment yesterday as chief executive of Mr Domenico Cempella, a veteran Alitalia executive with extensive experience in the airline business as a whole.

Since last autumn – when Mr Roberto Schisano was summarily dismissed as chief executive for allegedly mishandling union negotiations – the role has been covered by Mr Renato Riverso, the chairman.

Yesterday, all the main airline unions welcomed the appointment of Mr Cempella, whose last job was chief executive of Rome Airports.

This positive reaction immediately raised hopes that progress could at least be made on restructuring. An Iri spokesman also voiced "modest optimism" that the unions would be more accommodating. They are due to meet the government on Monday, when more specific commitments are expected.

One of the first problems to resolve is the L28m secret pay increase for pilots negotiated last August by Mr Schisano.

Alitalia has said frequently in recent weeks that an 18-month freeze on industrial action was a precondition for restructuring. Without it, the management say, the airline cannot raise fresh capital of L1,500bn on the open market. Instead, they will have to ask for direct assistance from the government which Brussels may veto.

The new plan envisages Iri providing at least L1,000bn. It has undertaken with the EU not to incur further debt. Thus, these funds, due during the first half of this year, will have to be found from Iri assets or through some accounting device that does not involve debt.

Unofficial estimates indicate Alitalia will lose L250bn in the first quarter of 1996. With debts of more than L3,500bn and little more than L500bn left in capital, the new plan has to be put in operation quickly.

The plan centres on:
- solving problem of excess staff in a "non-traumatic way";
- reassessing route structures;
- speeding up the forging of new alliances;
- establishing a new dialogue with the unions.

Yesterday Mr Riverso, who returns to being merely the chairman, refused to give details on the likely job cuts or the extent to which routes would be reduced.

However, he said: "Alitalia is not competitive and we know this full well. Now it's time not just to produce plans but to implement them. There are many things to do, some in the next two months, others over the next 24 months."

Minister admits 'peace dividend' from ending of Cold War could be small

French may save little on force cuts

By David Buchan in Paris

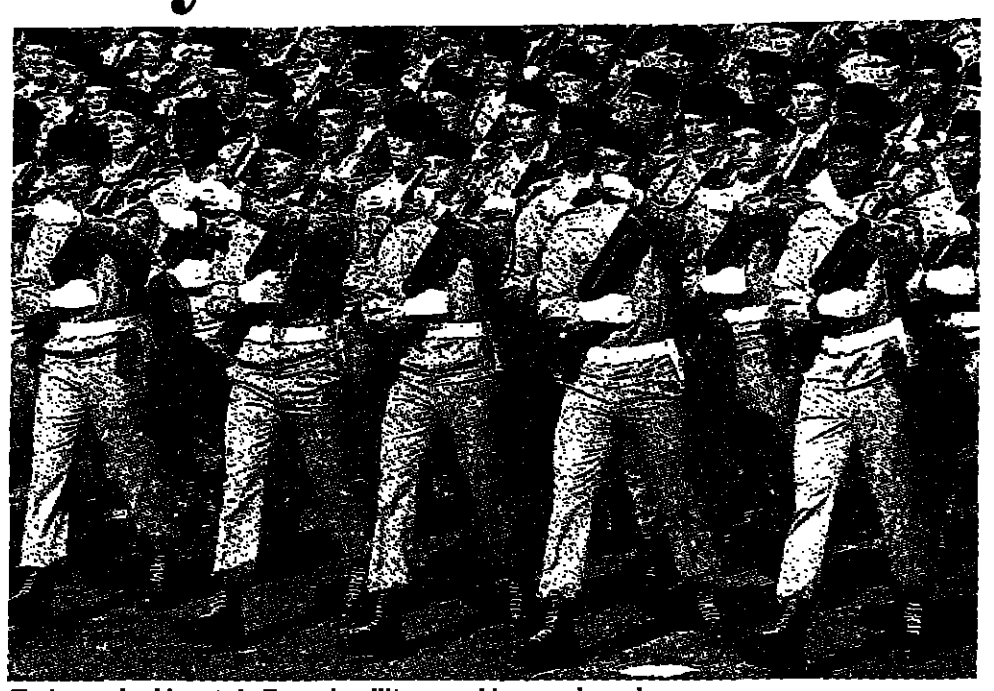
A French parliamentary report yesterday put the net savings from scrapping military conscription and halving the size of France's armed forces at a modest FFr6bn (£770m) a year, because of the need to pay professional soldiers more.

The report by Mr Patrick Balkany, a Gaullist deputy, came shortly before President Jacques Chirac was due to unveil on television his plans to restructure France's forces and arms industry. The Balkany report assumed a reduction in the country's total armed forces from 500,000 to 246,000, with the three services recruiting around 40,000 new professionals.

Other French deputies estimated that savings could be outweighed by the expense of recruiting professionals to replace conscripts (whose present 10-month service costs the state only FFr28,000), together with the cost of recapitalising state defence companies and of providing compensation to towns for local base closures.

A senior minister yesterday conceded the "peace dividend" would be relatively small because France had taken so long to adjust after the end of the Cold War. He confirmed that the government would recapitalise the loss-making Giat armour and tank manufacturer and the Snecma aero-engine maker, and that introducing an alternative civilian service would negate some of the savings in replacing conscription.

But the finance ministry expressed its intention to keep the 1996 budget defence to last year's FFr185bn, and in subsequent years it should not rise above the FFr200bn level. Mindful of France's commitment to fiscal discipline in order to qualify for European monetary union, the ministry wants to spread the cost of force structure changes beyond the 5-6 year timeframe sought by the defence ministry.



Closing ranks: big cuts in France's military machine are planned Reuter

Introduced during the French Revolution, abandoned for almost all the 19th century and reintroduced in 1905, France's conscription system has come under increasing criticism in recent years for inefficiency and inequality.

In the 1991 Gulf War, France was only able to field a force half the size of the UK contingent even though it has an army twice as big. In addition, middle-class 18-year-olds have increasingly been able to escape the draft or do alternative service, often with French companies abroad.

The issue of abandoning conscription cuts across the political spectrum, though broadly the left favours retaining the draft while the right is ready to follow the Gaullist president in scrapping it.

But Mr François Léotard, who was defence minister in the centre-right government of Mr Edouard Balladur, has urged that a reformed conscript system be kept, while yesterday Mr Julien Dray, a Socialist, said he could accept a professional army provided it allowed unions in it.

Adopting a more neutral stance, Mr Balladur called for a referendum to decide the issue, "if this is juridically possible".

Pressure grows for reform of German tax system

By Peter Norman in Bonn

The debate over reforming Germany's complex and inequitable income tax system moved up a gear yesterday, a senior parliamentarian from Chancellor Helmut Kohl's Christian Democratic Union put forward plans to eliminate tax breaks and sharply reduce the top tax rate.

Mr Gunnar Uldall, newly appointed economic policy spokesman for the CDU/Christian Social Union group in the Bundestag (lower house), proposed cutting the top income tax rate from 53 per cent to 28 per cent, and instituting lower tax rates of 8 per cent and 18 per cent for incomes below DM30,000 ($20,500) a year.

This could be financed, he claimed, by broadening the tax base and eliminating all tax privileges in the German income tax system. The present system had reached the end of its natural life, said Mr Uldall.

He called on the government to agree clear plans for a radical reform of income and corporation taxes before the next German general election due in the autumn of 1998 so that these could take effect in 2000.

Mr Uldall's ideas were welcomed by organisations which represent German taxpayers and tax gatherers.

"The time is ripe for such a reform," Mr Karl Heinz Däke, president of the federation of taxpayers, said yesterday.

Mr Paul Courth, head of the tax officials' trade union, said that eliminating tax breaks would be a "huge step to simplifying the system and ridding Germany of its tax chaos".

The Bonn finance ministry was more cautious. Only two weeks ago, Mr Theo Waigel, the finance minister, ruled out radical change in the near future, citing the massive resistance it would generate.

The minister pointed out that charities would object if the donations they received were not tax deductible and the construction industry would suffer if tax breaks for building apartments were ended.

However, the government has promised to attack tax breaks and reduce income and corporation tax rates from 1998 as part of its 50-point programme to boost growth and jobs in Germany, which was announced last month.

Mr Uldall did not completely rule out tax breaks in a future income tax system. But he insisted that all concessions should be scrapped as a first step to reform.

This move would force a parliamentary vote on the introduction or reinstatement of any specific tax break. By contrast, attempts in the past to reform the German income tax system have been piecemeal affairs that have invariably resulted in greater complexity.

Rühe's mission to Europeanise Nato

German defence minister is recruiting support for reduced US role in alliance, writes **Quentin Peel**

Mr Volker Rühe, Germany's combative defence minister, is a noted Anglophile and a committed Atlanticist. He loves to speak English, and show off his knowledge of the British system.

So when he visits London preaching the need for a European defence identity, he seems able to disarm even such a committed Eurosceptic as Mr Michael Portillo, his British counterpart.

His new theme is the Europeanisation of Nato: the need to reform the Atlantic alliance so that the Europeans can assume much more responsibility for crisis management, if the Americans do not want to become involved. He also wants the same process of reform to dismantle the old Cold War structures of the alliance, so that enlargement to east and central Europe can go ahead without infuriating the Russians.

On top of that, he wants the European Union to gain a clear defence identity, with the gradual integration of the Western European Union into the EU. And he wants to build a thoroughly integrated European defence industry, capable of competing with the US in global markets.

It is a radical agenda, and one the British government, at least, is likely to treat with considerable caution. Yet Mr Rühe is convinced that even London is open to persuasion.

After talks this week with Mr Portillo, he emerged beaming with self-confidence. "We have had very long discussions on Europe," he said. "I think he is moving towards the centre."

They may not agree on the fine detail of new defence structures, he admits, but they agree on the basic philosophy.

Mr Rühe's argument is that two historical developments are happening simultaneously, and they are entirely compatible: "The Americans want to be relieved in Europe, and the Europeans want to have a stronger identity," he says.

"Our main philosophy has always been – and here Great Britain in the past had a different view – that the only way to keep the Americans in Europe is to do more for the European defence identity. When we said that first, in the 1980s, and started the [Franco-German] Eurocorps, the British said: 'No, you are driving the Americans out of Europe'."

Today, he believes the British have accepted his view, driven not least by clear signals from Washington that the US also wants a stronger European defence identity. "This philosophy is now shared." However, putting it into practice, he admits, is going to be difficult.

His top priority is Nato reform. "[We need] to create a new Nato that is ready to do the jobs of the future, which are not just collective defence," he says.

"To prepare new structures for the opening of Nato for new members, and to prepare structures for the Europeanisation of Nato, wherever that is necessary."

In effect, he wants to have flexible structures capable of being all-European. At the moment most commands are held by US officers.

"What we are talking about is the levels of headquarters, to give the necessary flexibility so that they can be led by Europeans only. The Nato structures now are mirroring very much the past. A lot of the Nato headquarters still mirror the Cold War, and the fixed situation between east and west. We are thinking about radical change. We need to make the Europeans able to deal with a crisis situation that has to be dealt with by Europeans alone."

He cites the present example of the Nato peacekeeping force in Bosnia as what may become an increasingly rare example of US direct participation in Europe.

"In the next crisis, the Americans may not take such a decision," he says. "It was a very courageous decision of [President Bill] Clinton to go to Yugoslavia. It was against the will of his population."

The Nato structures he sees as models for the future are the British-commanded Allied Rapid Reaction Corps, and the Eurocorps.

As for Nato enlargement, he believes a Europeanised alliance should not be regarded as hostile by future Russian leaders. "It is not the old Nato that is expanding," he says. "It is a new Nato that is opening."

Nato enlargement should go hand-in-hand with enlargement of the EU, although not necessarily simultaneously. He admits that the actual process of joining the EU is likely to be more difficult for the countries of central and eastern Europe, than Nato enlargement.

"When you go into Nato, you do not need a modern tank," he says. "You do need a modern agriculture to join the EU."

Parallel to his vision of the Europeanisation of Nato, he wants to see a stronger defence identity in the EU. That is undoubtedly where he would part company from Mr Portillo.

He wants to begin the process now of preparing for a full merger of the EU and WEU. But, in the first place, that would simply mean seeking EU endorsement for WEU operations.

"We have said that in defence matters, we need a coalition of the willing," he says. He calls the German idea the "solidarity clause".

"Nobody can be told by anybody else to send his soldiers somewhere. But if the WEU members go for a mission, we would still ask the non-WEU members of the EU to give their political support."

He also wants to see the EU defence ministers holding regular meetings, like all their other ministerial counterparts. On that he believes the French will back him. But he admits he is not so sure of Mr Portillo.

"I think we can agree on pragmatic steps, but the British so far are not ready to look into the future, where the EU and WEU will be merged."

Volke Rühe: "The Americans want to be relieved in Europe."

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Britons take troubles to EU ombudsman

By Caroline Southey in Brussels

Secrecy and favouritism top the list of problems brought by European Union citizens to Mr Jacob Söderman during his first five months as the EU's first ombudsman. More than 400 complaints have landed on his desk in Strasbourg. The largest number have come from Britons, followed by Germans and Spanish. Luxembourgers have lodged fewest.

The post of ombudsman, established under the Maastricht treaty, was designed for an independent arbitrator and mediator on complaints from Europe's 372m citizens.

"Refusal to give access to documents" is one of the more common themes running through the letters posted to the ombudsman. Accusations of secrecy are made against all three of the EU's biggest institutions – the Council of Ministers, the Commission and the parliament.

One complainant accused Mr Christos Papoutsis, the energy commissioner, of wrongfully invoking a secrecy clause in the Euratom treaty to refuse information about nuclear stores and depleted uranium.

A member of parliament has accused Mr Franz Fischler, the agriculture commissioner, of denying access to a study on the impact of growth promoter additives in animal foodstuffs.

Mr Söderman is also pursuing a complaint that trainees are selected by EU institutions on the basis of their "connections" within the organisations rather than according to qualifications and aptitudes.

Although the process of taking up complaints is lengthy – the institution against which a complaint has been made is given three months to respond and the complainant a further month – the ombudsman has already scored some successes.

Mr Söderman says that in four cases the Commission has responded to initial letters of complaint by righting the wrong, while the Council has responded positively once. "The institutions are showing a very favourable attitude to the work we are doing," he said. "The main point is that the complainant should be given the rights he is seeking. This is beginning to happen."

The ombudsman turns away most issues brought to him. Many have been referred to a national ombudsman because national authorities were involved; others have already been the subject of a court case.

"The main problem is that people don't know what my mandate is. I can only deal with problems related to Community [EU] institutions, not national ones," he said.

Mr Söderman said he was receiving more "admissible cases", which was lowering his initial 80 per cent refusal rate.

But he was not surprised the figure was so high. "There has not been much publicity in member states about my job."

EUROPEAN NEWS DIGEST

Bosnian leader in hospital

Bosnia's President Alija Izetbegovic was yesterday rushed to hospital with suspected heart trouble, but aides said the 70-year-old leader's life was not in jeopardy.

Mr Edhem Bicakcic, vice-president of the ruling Moslem Party of Democratic Action (SDA), told state radio that the president was tired after ruling the country during four years of war and the protracted negotiations which finally resulted in the Dayton peace agreement last November.

Observers said there was no clear heir to Mr Izetbegovic, who remains the undisputed leader of the Moslem community, backed by leading intellectuals and the army.

The prospect of a political vacuum among Bosnia's Moslems opened up as hardliners in the Serb camp appeared to be gaining political ground. Western observers in Sarajevo said they were concerned by the increased prominence of the most notorious Bosnian Serb leaders – Mr Radovan Karadzic and General Ratko Mladic, both indicted war criminals. Admiral Leighton Smith, the Nato commander, said yesterday he would wait for another 48 hours before recommending that economic sanctions against the Bosnian Serbs be lifted.

The delay would give him more time to assess the Serbs' compliance with their promise to resume co-operation with Nato. *Laura Silber, Belgrade*

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Portugal's life business soars

Life insurance business in Portugal climbed 129 per cent in January compared with the same month last year, reflecting higher incomes, tax incentives and a lack of confidence in the state social security system.

Figures from companies representing almost 90 per cent of the sector showed life insurance accounting for 31.2 per cent of total insurance premiums worth Es76.3bn ($500m) in January, an overall premium growth of 29.7 per cent on January 1995. However, the Portuguese Insurance Association (ASP) said yesterday that growth of 271 per cent for fixed-income investment products, which are marketed by insurance companies as well as banks in Portugal, accounted for most of the growth in the life sector. Traditional life premiums grew by 22.1 per cent.

Life insurance was virtually non-existent in Portugal five years ago and has been growing rapidly as incomes and educational standards have improved. Confidence in the social security system, already low because of an ageing population, has been further undermined by tax incentives for companies and individuals who opt out. *Peter Wise, Lisbon*

Brussels to probe Roche grants

The European Commission is to investigate Austrian government grants worth Sch378m ($37m) to Roche, Switzerland's biggest pharmaceuticals company, to help build a manufacturing plant. The Commission said yesterday that the Austrian government had not demonstrated that the aid conformed with EU rules.

Roche said it had expected the decision because the grants had been negotiated before Austria's entry into the EU. But it added: "There will be no changes in operations there."

The grant aid was in two parts: Sch300m for research and development and the balance for environmental protection. It related to a project to create an obesity drug named Orlistat. Roche had in 1992 signed a deal with an Austrian company, Chemie Linz, which would manage the project. Roche would pay for the project and make further payments to Chemie Linz. Roche had sales last year sales of SFr14.7bn (£7.9bn) and made a net profit of SFr1.91bn in the first six months. At the end of the first half of the year, Roche had a cash pile of about SFr5bn. *Daniel Green, London*

Greek strike over pay policy

Several hundred thousand Greek workers yesterday staged a 24-hour strike to protest against the Socialist government's decision to hold pay increases below this year's projected average inflation rate of 6 per cent.

Public sector workers, who have been offered a basic increase of 3.75 per cent this year, led the walk-out. State banks and public utilities closed, public transport in Athens and Thessaloniki was halted and flights by Olympic Airways, the state carrier, were delayed for several hours.

Crews on Greek island ferries, which are privately owned, staged a four-hour stoppage.

Greece's trade unions are demanding a 10 per cent increase this year, together with the introduction of a 35-hour working week, down from 40 hours.

The Confederation of Greek Industry is opposed to a reduction in working hours, claiming that it would wipe out recent productivity gains. *Kerin Hope, Athens*

Berlin talks on rising city deficit

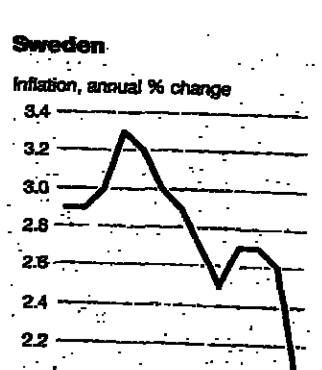
Berlin's governing Christian Democrat (CDU) and Social Democrat (SPD) coalition will hold a special session next week on a report showing the city's budget deficit will soar to DM31.8bn ($21.6bn) by the end of the current legislative period in the year 2000, nearly DM9bn more than previous estimates.

Ms Annette Fugmann-Heesing, appointed head of finance in January, said the city's finances were in disarray and measures would have to be taken to scrutinise every public investment project, the number of public sector employees and public expenditure.

Her predecessor from the CDU, Mr Elmar Pieroth, had calculated that the city's budget deficit this year would amount to DM9.1bn, with revenues amounting to DM33.5bn and expenditure totalling DM42.6bn. However, Ms Fugmann-Heesing showed that expenditure this year would rise to DM44.6bn and warned that an earlier decision to introduce savings of DM23bn over the legislative period would have to be increased to DM30bn. *Judy Dempsey, Berlin*

ECONOMIC WATCH

Fourth cut in Swedish rates



Source: FT Extel

Sweden's central bank yesterday cut its key lending rate for the fourth time this year as statistics showed inflation fell to 2.0 per cent in January. The Riksbank cut the repurchase rate to 8.05 per cent from 8.30 per cent, only a week after its last cut. The repo rate has fallen from a level of 8.91 per cent in early January, when the Riksbank reversed a trend of tightening monetary policy in place since August 1994. Inflation figures published yesterday, showing a fall in the year-on-year rate to 2.0 per cent in January from 2.6 per cent in December, underlined the bank's judgment that inflationary pressures on its 3 per cent ceiling have subsided. A reduction in value added tax on food in January helped hold down consumer price rises in that month to 0.1 per cent, compared with a rise of 0.7 per cent in December.

The chief worry for the Swedish authorities now is signs that economic growth will slow significantly this year after only two years of modest recovery from the 1991-93 recession, threatening government efforts to combat 12 per cent unemployment. *Hugh Carnegy, Stockholm*

■ EU industrial production rose 3 per cent in 1995, after growing 4.9 per cent in 1994. Swedish growth was the highest at 10.5 per cent, Germany's the lowest at 0.5 per cent.
■ Spanish industrial production fell 4.8 per cent year-on-year in December after rising 1.2 per cent in November.

Airlines may have breached Brussels terms for state aid

By Emma Tucker in Brussels

Speculation is mounting in Brussels that some of the state-owned airlines rescued from bankruptcy in 1994 are heading for further trouble, just weeks before progress reports on their health are due to be delivered to the European Commission.

Preliminary details suggest that Air France, Olympic Airways and TAP-Air Portugal have had mixed successes in meeting the terms of the rescue packages on which approval of the aid was granted.

Doubts have also surfaced about the recent behaviour of Alitalia.

Assessment of the reports – most of which are due next month and in April – falls to Mr Neil Kinnock, the transport commissioner, who will make a speech in London today pledging that he will be vigilant in ensuring that commercial disciplines are followed.

"If there are any who still believe that an airline can somehow be insulated from the competitive and commercial disciplines, they are deluding themselves," he says.

Mr Kinnock recently approved a controversial Pta87bn ($700m) capital injection for Iberia, the Spanish state-owned airline. This was whittled down from an initial request for Pta130bn and the airline was forced to sell off core assets.

Nonetheless, the agreement provoked criticism and the Commission is keen to show that it is taking a tough line with earlier recipients of state aid.

Olympic, due to receive the second tranche of a Dr54bn ($223.3m) payment from the Greek government in April, raises the most serious doubts. According to the Commission, the rescue plan – which contained 21 conditions – is on course for the time being. However, Brussels is worried about interference from the Greek government.

"The government seems to meddle a lot in the management," said an industry official. "This is a problem, because it could stop the airline from becoming viable."

When the airline's board was recently renewed, the Greek government made the appointments.

In addition, the Commission believes it may have detected further state aids that were not declared at the time the rescue package was approved.

Air France, the most notorious recipient of state aid in 1994, is waiting for a decision on the third and final payment of a FFr20bn ($4bn) handout.

The decision as to whether the company has lived up to the conditions will be taken by Mr Kinnock in June following assessment by independent consultants.

According to officials, the Air France rescue plan was on course last year, "but only just".

Luck, in particular the sharp drop in the price of fuel, played an important part in ensuring that the airline met its objectives.

Industry sources are not convinced that the airline will receive the final payment.

"There are strong doubts about whether the company has restructured enough," said an industry executive.

Meanwhile, the Commission has received a complaint from TAT, the French subsidiary of British Airways, that the modern West Terminal of Paris's Orly airport is being reserved for Air France while construction on a new terminal is carried out.

One of the conditions of the rescue package was that other airlines should not be disadvantaged during construction at the airport.

The Commission also wants to check that Air France is not abusing its position to become a price leader. The state aid was granted on condition that the company did not undercut other air fares, but on certain routes fares have been offered that are significantly lower than others.

TAP, the Portuguese national airline that received Es180bn ($1.2bn) in 1994, is less contentious and appears to be on course to meet the Commission's conditions.

Last, Brussels is investigating the sale of Alitalia's majority stake in the Rome airports company.

It is worried that the sales price was inflated and therefore constituted a hidden state aid.

Bremer Vulkan suggests plan to save yards

About 20,000 people demonstrated in the German port of Bremerhaven yesterday against the threatened shipyard closures Reuter

By Judy Dempsey in Berlin

Bremer Vulkan, Germany's biggest shipbuilder, which this week applied for protection from its creditors, may hive off several divisions and retain only its core shipbuilding business, Mr Hero Brahms, head of the company's supervisory board, said yesterday.

Mr Brahms, a former board member of the Treuhand privatisation agency, which sold two east German shipyards to Bremer Vulkan in 1992, told German radio the management would try to keep its five shipyards, which employ about 23,000 people. But the machine construction division – which accounted for 16 per cent of the group's DM6bn ($4bn) turnover in 1994 – would "have to go its own way", he said.

Mr Brahms was referring specifically to Dörries Scharmann, which is expected to report an annual loss of more than DM200m, as well as the group's two non-shipbuilding subsidiaries in east Germany – Dieselmotoren and Neptun Industrie, both in Rostock.

Mr Brahms said he would try to win backing from the federal and state authorities to keep all the shipyards together. But he may face opposition from the Mecklenburg-Vorpommern government because of the way in which Bremer Vulkan diverted DM800m of DM850m earmarked as investment for the east German state's shipyards into the group's other operations.

The German government yesterday insisted it was not prepared to grant fresh loans to Bremer Vulkan. The group expects losses of DM1bn for 1995 in addition to outstanding bank loans of more than DM1.4bn. It also requires DM2.2bn this year to pay its bills, provide working capital and meet investment commitments to its east German shipyards.

Mr Günter Rexrodt, Germany's economics minister and an advocate of reducing state subsidies, told German radio: "Anyone who thinks he can restore the company to health with fresh money from Bonn is mistaken."

But the city-state of Bremen, anxious to curb unemployment – currently standing at 14 per cent of the workforce – yesterday said it would be interested in taking a stake in STN Atlas Elektronik, one of the few profitable divisions of Bremer Vulkan.

According to Bremen Radio, STN obtained a DM75m cash injection from its creditors and expected a further DM200m by the end of this week.

Commerzbank, Bremer Vulkan's banker, yesterday confirmed it had agreed in principle to the loans, "but we have not yet disbursed them. We are waiting for security", an official said. He added that these loans might not require permission from the European Commission, which in recent weeks has been meticulously scrutinising any state-backed credits to Bremer Vulkan.

The Commission yesterday said it had approved an extension of a west German guarantee scheme for the shipbuilding sector in the eastern states.

Bremer Vulkan, which owns two shipyards in Mecklenburg-Vorpommern, will be eligible for funds under the scheme but the Commission warned that it would require detailed information if guarantees were being provided.

German yards could look to Poland for way forward

By Christopher Bobinski in Warsaw

The fate of Bremer Vulkan, holed by high German labour costs despite large-scale subsidies, contrasts with a revival in shipbuilding just across the border in Poland, where lower wages and tough restructuring have ensured survival without subsidies for shipyards such as Szczecin and Gdynia.

If Vulkan's troubles lead to closures of capacity, competitive pressure on the Polish shipyards would be eased, but most contracts won by the Polish yards to date have been at the expense of Korean and Japanese shipyards.

However, the Szczecin shipyard – the star performer among Polish yards – has been a direct rival for some orders with yards such as Volkswert Stralsund, the east German yard Bremer Vulkan bought after the fall of the Berlin Wall.

Szczecin has found a niche over the past three years building container vessels for shipowners as far apart as Germany, Chile and South Africa. But Poland's shipbuilders, Szczecin included, are currently struggling with an unexpected difficulty: losses arising from strong appreciation of the zloty are eroding the profitability of dollar-denominated export sales.

Szczecin originally expected to more than double its net profit last year to $25m from 1994's $11.5m. But the strength of the zloty slashed net profit to only $500,000 and pushed Gdynia, further along the coast, into a $3.0m loss.

Szczecin has a $1.6bn order book for 59 vessels and has long sought to build a Japanese-style "industrial group", linking it with the Gdynia yard and key industrial suppliers. It wants to join forces with the Czestochowa steelworks and the Cegielski engineering works, which provide ships' engines.

More controversially, Szczecin management wants to transfer the skills which cut delivery times by half at Szczecin to improving efficiency at Gdynia, which is Poland's largest and most modern yard.

But both shipyards are wary of taking on the Gdansk shipyard – the birthplace of Solidarity, and a yeard where past management errors have contributed to debts of $160m. Gdansk expects to make a profit of only $500,000 on the 19 ships worth $700m on its books.

Gdansk has not gone through the painful restructuring which raised productivity and quality in the other Polish yards.

Mr Richard Golnch, a senior manager at the yard, estimates that currency factors cost the yard around 100m zlotys ($40m) and helped throw it into overall net loss of around $35m. In an attempt to strengthen the industry, the government is preparing a consolidation plan for consultation by the middle of the year. A final decision on the plan will only be taken after consultation with Polish banks such as Bank Handlowy (BH), whose exposure to the Gdansk shipyard alone amounts to around $80m.

The BH and the Szczecin-based Pomorski Bank Kredytowy (PBKS) are also shareholders in the Gdynia yard following a recent debt reduction agreement.

Chrystia Freeland reports on the crucial battle for Norilsk Nikel

Russia's red barons may derail sell-off

The Soviet-era managers of Norilsk Nikel, the world's largest nickel producer, yesterday stepped up their fight against the Moscow bank which acquired a controlling stake in the enterprise in a controversial privatisation scheme last autumn.

Less than four months ahead of presidential elections which could put a Communist president in the Kremlin, battles between "red baron" directors and *nouveaux riches* financiers have erupted at companies across the country.

But observers say the high-profile struggle over Norilsk Nikel, one of Russia's most valuable companies, could undermine last year's wave of privatisations.

Norilsk Nikel managers yesterday repeated their demand that the enterprise, which last year accounted for 20 per cent of the world's nickel production and 40 per cent of platinum output, revert to state ownership.

Oneximbank, one of Russia's leading banks, last December acquired control of 51 per cent of the voting shares in Norilsk Nikel through the controversial shares-for-loans privatisation programme. But Norilsk Nikel managers have challenged the legality of the scheme, and on Tuesday a Moscow civil court is due to announce *its verdict on the* issue.

Like Soviet-era industrial bosses throughout the country, the Norilsk Nikel managers look to the state for financial support and still see themselves as local patriarchs who must provide food, housing, schools, roads and medical care as well as jobs for their 155,000 workers, who live in one of the most remote and physically hostile places on the planet.

"We think the state should own and manage a majority stake in Norilsk Nikel," said Mr Boris Kazakov, the vice-president of Norilsk Nikel. "The need to support the population in the extreme conditions of the far north means we must remain part of the state."

The red barons and their local allies depict Oneximbank as a ruthless capitalist newcomer interested only in selfish gain.

As Mr Boris Degtiarev, the pro-management head of the Norilsk Nikel trade union, explains: "We know Filatov [the current director]. A new man might be a better *menedzher* [manager], as it has become fashionable to say, but a man must live for 30 years in the far north and feel the extreme conditions on his own skin in order to be good for the ordinary *Norilchanin* [Norilsk employee]."

Local government officials agree.

"How can the controlling stake in such an enterprise, whose revenues were $3bn last year, be sold for $170m? Whom does it benefit?" asked Mr Alexander Zabeyvorota, head of the local government assembly.

"It benefits a small group of people, who control three or four banks in Moscow. It is exactly like the primitive accumulation of capital which we were taught about in Marxist classes at school."

But Oneximbank officials, and other Muscovite financiers who are afraid the case could establish a dangerous legal challenge to privatisation, argue that it is the red barons who have been pursuing personal enrichment at the company's expense.

"The directors of Norilsk have been running the enterprise like their own financial cookie jar and they don't want any adults to supervise," an Oneximbank spokesman said.

The greater danger, the Oneximbank official warned, was that if the Norilsk managers won their case no private property in Russia would be secure.

"If these red directors can lobby this thing back against a very politically well-connected, influential and powerful bank, then who can hold on to their property in Russia?" he said.

Stake for sale in aircraft repairs

Russia's Sverdlovsk region will hold a closed tender for a 25.5 per cent stake in one of Russia's biggest aircraft engine repair plants, a regional property fund official said yesterday, Reuter reports from Moscow.

The official said the tender for 33,140 shares in Uralsky Zavod Grazhdanskoi Aviatsii would be held on February 29. The shares would be split into two lots, of 12.5 per cent and 13 per cent. The starting price for each share of Rs1,000 nominal would be Rs30,000. The rest of the company, based in the Urals city of Yekaterinburg, is privately held.

NEWS: WORLD TRADE

New Fuji plant in S Carolina starts up

By Nancy Dunne in Washington

Fuji Photo Film USA has begun production in a new facility in Greenwood, South Carolina, signalling its determination to challenge Kodak on its home territory.

The new facility is the fourth of seven Greenwood plants planned by Fuji.

By the end of 1997, all seven plants in the $700m Greenwood complex are expected to be up and running, employing 1,200 US workers.

Fuji says it has invested $2bn in 30 other facilities – including photo laboratories and sales offices – across the country.

Mr Craig White, a Fuji official, said the expansion was not related to the complaint by Kodak of anti-competitive practices in the Japanese photographic film and paper industry. Fuji had made a strategic decision in 1988 to establish an important manufacturing presence in the US, he added.

The new facility has begun operations on 35mm film, imported on large rolls from the Fuji plant in the Netherlands and cut and finished in the US.

Fuji officials say they have been unable to break Kodak's dominance in the US market. Their market research shows 50 per cent of Americans will only buy Kodak film.

Fuji says it has never had more than 12-13 per cent of the US market and generally has about 10 per cent, which it compares with Kodak's market share in Japan.

In 1994, Kodak held a 36 per cent share of the world market, excluding the US and Japan, and Fuji won a 33 per cent share, Fuji officials say.

Kodak has about 70 per cent of the market in the US, similar to that held by Fuji in Japan. Kodak says the Japanese government has not encouraged competition, while the US government "has not sought to privatise protection".

Kodak-Konica camera link

By Michiyo Nakamoto in Tokyo

Konica, the Japanese film and camera maker, is tying up with Kodak, the US company, to make new cameras based on the advanced photo system (APS), which combines many of the advantages of conventional 35mm photography with the benefits of digital cameras.

The two companies will jointly develop single-use or disposable cameras based on the APS format unveiled earlier this month. Development of the format for APS cameras brought together arch-rivals Kodak and Fuji in addition to Nikon, Minolta and Canon.

The project's membership has led to claims that it is virtually a cartel. The companies involved hold a significant share of the world film and camera markets. Fuji and Kodak together have about 80 per cent of the US and Japanese markets.

Konica, which is not a member of the alliance that developed the APS, will supply Kodak with the single-use, throw-away cameras it will produce at its plant in Tokyo.

The deal with Konica could help Kodak, which has stepped up its activities in Japan recently, to increase its share of the Japanese single-use camera market, which is dominated by Fujifilm.

The Kodak-Konica alliance comes at a time of sharp differences between Kodak and Fujifilm. Despite their collaboration on the APS project, Kodak has waged a campaign for US trade action against anti-competitive measures allegedly used by Fuji to dominate its home market for film.

Kodak has claimed Fujifilm's practices in the Japanese market have cost the US company $5.6bn in lost export revenues. Fuji has vigorously denied Kodak's allegations.

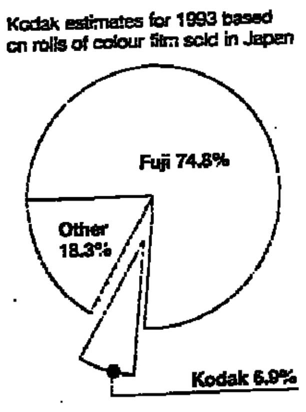
Japan's Fair Trade Commission announced on Wednesday that it would start an investigation into business practices in the photographic film and paper markets, ahead of the first summit meeting between Japan's prime minister, Mr Ryutaro Hashimoto, and US President Bill Clinton.

Later this year, the US trade representative is due to report its findings on whether Fujifilm practised anti-competitive behaviour, in a determination that could lead to sanctions being imposed by the US.

US-Japan talks, Page 6

Kodak's market share

Kodak estimates for 1993 based on rolls of colour film sold in Japan



The watchdog that refuses to bite

Michiyo Nakamoto on Japan's anti-cartel agency

The decision by the Japan Fair Trade Commission to launch an investigation into the domestic market for photographic film and paper will be a test of its ability to shed its reputation as an ineffective organisation and become the strong, independent watchdog it seeks to be.

The lack of anti-monopoly enforcement in Japan has long been considered a serious obstacle by the country's trading partners.

"Many, many more European companies are bringing up fair competition issues," notes Mr Alain Coine, chairman of the European Business Council in Tokyo.

Price-setting among cartels, manipulated biddings and a lack of response from the JFTC put European companies in Japan at a disadvantage, the EBC says in its latest white paper.

The problem is not Japan's anti-monopoly law itself, which is modelled on the US anti-trust law. But "the application of fair trade rules is loose in some areas," Mr Coine says.

The American Chamber of Commerce in Japan also asserts that the JFTC allows Japanese companies to follow a rather loose interpretation of the law.

The weakness of anti-monopoly enforcement in Japan has earned the JFTC a reputation for being a watchdog that does not bite.

For example, although Kodak and Fujifilm both have about 70 per cent shares in their home markets, Kodak has faced substantial scrutiny from the US anti-trust authorities, while the FTC has taken limited action against Fujifilm, notes Mr Jiro Tamura, professor of policy management at Keio University in Tokyo.

Officials at the FTC defend their record by pointing to the limited resources they have. With just 520 employees and an annual budget of Y5.2bn ($49m), the JFTC is only one third the size of the US federal anti-trust forces, they say.

But it is not just a lack of resources that ties down the FTC. Japan's anti-monopoly authorities are also hampered by social attitudes that create, perhaps, a more formidable obstacle to enforcing fair competition than the lack of staff and funds.

For one thing, Japan's group-oriented society has not wholly subscribed to the idea that collusive activity, such as forming cartels, is wrong.

"Even though 48 years have passed since the anti-monopoly law was established in Japan, it has not really taken root in Japanese society," Mr Masami Kogayu, chairman of the FTC conceded recently in a Japanese magazine interview.

Part of the explanation lies in the strong tendency in Japanese society to value co-operation over competition.

As Japan struggled to emerge from the ruins of the war, competition policy was sacrificed to an industrial policy that fostered industry-wide vertical and horizontal relationships, known as *keiretsu*.

The US car industry, for example, has long claimed that tight control by Japanese manufacturers over their dealers keeps a large part of the Japanese market closed to imports. The history of post-war US-Japan trade disputes can be seen as a decades-long attempt to challenge this system.

But resistance to such pressure remains strong in Japan. "People say this is the way we do things here and it works just fine," notes a US government official in Tokyo.

An aversion to disrupting this social harmony often discourages victims from pointing out anti-competitive behaviour.

"If you go to the JFTC, you create turbulence and an unpleasant atmosphere which Japanese society does not like," says the EBC's Mr Coine.

More seriously, the need to maintain harmony with government agencies, politicians and the business community, compromises the FTC's ability to act independently.

"In the Japanese social system, where harmony is very important, the FTC has been conscious about how other government agencies, such as Miti [Japan's ministry of international trade and industry] feel," says Professor Tamura.

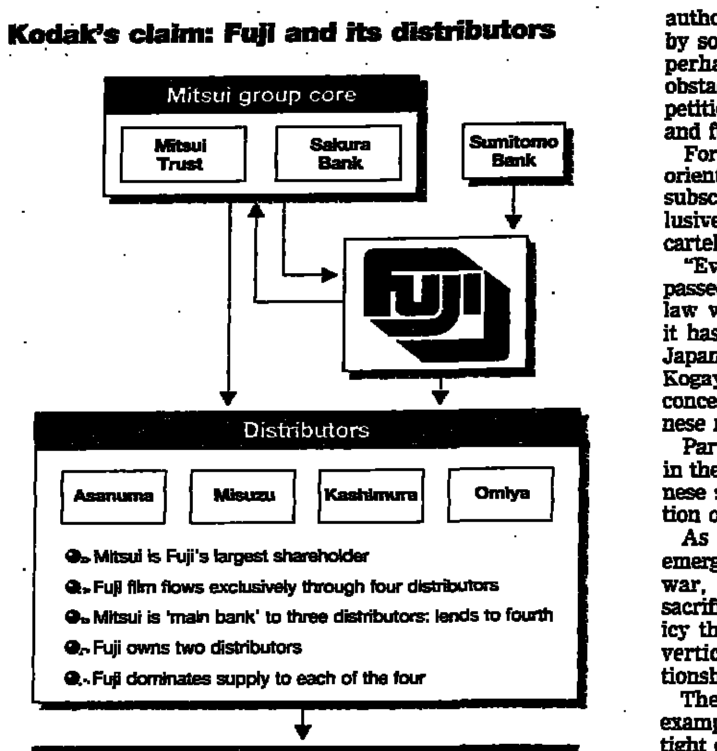
Meanwhile, the close ties many politicians have with leading Japanese companies have tended to limit political support for stronger anti-monopoly enforcement.

And there are no clear checks on the JFTC's decisions, Professor Tamura says.

If the JFTC decides not to take any action, the victim of anti-competitive activity cannot resort to private legal action, as they can in the US.

However, after years of foreign pressure, there is grudging recognition that anti-monopoly enforcement needs to be strengthened. The JFTC *itself* has requested a rise in its budget and staff members and is working towards abolishing all officially sanctioned cartels by March 1999.

Kodak's claim: Fuji and its distributors



Source: Kodak

WORLD TRADE NEWS DIGEST

EU, US act on Japan's piracy

The European Union yesterday joined the US in complaining to the World Trade Organisation about Japan's failure to protect pre-1971 sound recordings from copyright piracy. The US complaint, lodged on February 9, was the first to be brought under the WTO's accord on intellectual property rights, which came into force for industrialised countries at the beginning of January.

The US and EU claim that the accord requires copyright protection for sound recordings released since 1946. Japan argues that the WTO agreement permits countries to decide on the extent of retroactive protection.

The Japanese government is said to be weighing a change in the rules to protect sound recordings for 50 years, bringing Japan into line with other industrialised nations.

Performers affected by unlicensed copying of pre-1971 recordings in Japan include highly successful pop groups such as the Beatles and Rolling Stones and solo artists such as Frank Sinatra and Elvis Presley. The US industry puts losses from piracy in Japan at some $500m, while the European recording industry yesterday said it was losing sales of at least $120m a year. Japan's record market, the world's second largest, accounted for $6bn or 17 per cent of global sales in 1994. *Frances Williams, Geneva*

Zastava to increase output

Zastava, the Serbian motor industry group which manufactures Yugo cars, plans to produce 27,000 vehicles this year, half of which will be exported. About 7,000 cars are expected to be sent to Egypt and 1,500 units each to Macedonia and Slovenia. The export drive will be reinforced later this year with the resumption of sales to western Europe, the company says.

Zastava has been hard hit by the United Nations' sanctions on Serbia and the economic collapse of much of former Yugoslavia. This led to a steep fall in output to about 8,000 vehicles last year. Some 200,000 a year were produced before the outbreak of hostilities. In the past four years, the company has made just 20,000 cars. Foreign sales should receive a further boost with the introduction of new engines later this year. *Haig Simonian, Motor Industry Correspondent*

US, Ukraine in satellite accord

The US and Ukraine yesterday signed an agreement allowing Ukraine to enter the commercial satellite-launch market but obliging it to offer prices which do not sharply undercut US companies. The accord will permit Ukraine to provide commercial space launches both to geosynchronous earth orbit (GEO) and to low earth orbit (LEO). Under the agreement, which expires at the end of 2001, Ukraine may win contracts for five GEO launches on its own and for a further 11 for a US-Ukrainian joint venture. *Reuter, Washington*

■ The Czech competition ministry yesterday said it had cancelled a defence ministry tender for a multi-billion crown Nato-compatible computer system which was originally won by Unisys of the US. The ministry upheld an appeal by Unisys against the cancellation, but said that a completely new tender would be required. *Reuter, Prague*

■ Siemens rail engineering division has won two orders worth DM145m ($100m) from the Polish state railway for 10 city trains worth DM80m and for electrical equipment worth DM65m for a further 10 trains. *Reuter, Munich*

NEWS: INTERNATIONAL

Swift action urged on S Africa deficit

By Roger Matthews in Johannesburg

Swift action to cut the South African budget deficit was urged yesterday as the rand steadied after falling over the past five trading days to successive all-time lows against the dollar. It closed at $3.91 in Johannesburg, a fall of 26 cents on last Thursday's opening.

Economists and foreign exchange dealers said the budget, to be delivered on March 13, had assumed greater importance as a signal to international markets that the government was committed to tackling structural weaknesses in the economy.

Mr Dave Mohr, chief economist at Old Mutual, South Africa's biggest life assurer which manages assets of more than R150bn (£27.2bn), has issued "a very serious health warning" to the government.

Despite 3.3 per cent growth last year, strong capital inflows and lower inflation, he warns: "Trouble is brewing, since South Africa's long-term fiscal trends have been alarming; recent improvements have not moved it out of danger territory."

The government's financial position was worsening steadily. "A fiscal crisis is looming, but is brewing slowly and might take time to arrive. The government needs to act soon and decisively. Fiscal targets, like the budget deficit, must take account of what is happening in other countries.

"The country has an oversized public sector, which it cannot afford. Spending and staff numbers need to be brought into line."

Mr Chris Liebenberg, finance minister, said last week the budget deficit for the current financial year would amount to R30bn, or 6 per cent of gross domestic product, against the 5.8 per cent target he set nearly a year ago.

The government's target is to reduce the deficit to 4.5 per cent of GDP by 1999, which would still be worse than many developing countries. Mr Mohr added that if the South African economy went into recession in this period, the deficit could soar to 10 per cent or more.

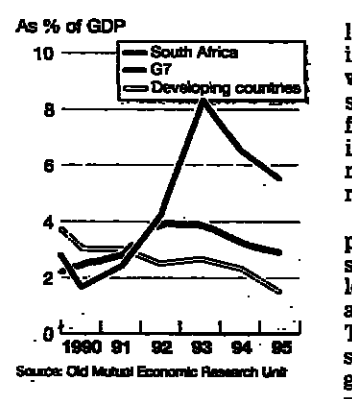
Mr Liebenberg will be seeking to keep expenditure constant in real terms but is under pressure from big spending ministries and is having to grapple with the consequences of inadequate data and control systems in several provincial governments.

He has also run into opposition from the main unions over a possible rise in value added tax, and is said to be considering a one-off levy on funds managed by the life assurance industry to raise R5bn.

A recent tax commission report suggested the government could impose a 30 per cent tax on pensions funds interest and other trading income. But with the inland revenue and customs and excise departments amalgamating, Mr Liebenberg was advised such a change would be too complex to handle yet.

South Africa

As % of GDP



Source: Old Mutual Economic Research Unit

King back in charge of Saudi Arabia

King Fahd of Saudi Arabia was back in charge of the world's largest oil producer yesterday three months after falling ill, ending his half-brother's short-lived regency and surprising many analysts both inside the kingdom and abroad.

"Although the king has been seen on television attending a cabinet meeting and receiving dignatories, the general feeling was that his recuperation would take some time," a Saudi banker said yesterday.

"He is, however, the only person with the authority to impose firm control over the ruling family, on the running of the government in general and the economy in particular."

Diplomats and other analysts point to two economic issues that might have played a part in the king's move.

The government has yet to release figures for last year's budget deficit, which some economists believe means it was at least 25 per cent more than the $4bn (£2.59bn) projected by the government.

It is also understood that the king disapproved of Prince Abdullah's decision to issue non-interest bearing promissory notes (IOUs) to pay off overdue government debts to farmers rather than issuing debt bonds which carry interest.

This latter method was preferred by the King last March to help clear SR4bn-SR5bn (£690m-£860m) worth of government debt to state contractors. Issuing IOUs means the farmers would have difficulty discounting them to banks and so would not receive immediate cash. Farmers are a powerful element in the kingdom's conservative heartland, a constituency that needs to be treated with care.

The manner in which Prince Abdullah dealt with repayment demands from farmers reflected his difficulty as an acting prime minister compelled to use compromise measures to deal with a serious budget problem caused by what economists estimate to $98bn of domestic debt, some 76 per cent of gross domestic product. Current expenditure has been a growing component of the overall budget and is now more than 80 per cent of total expenditure.

Prince Abdullah's solution pleased no one and upset everyone. In the view of one senior Saudi banker, it also gave his opponents precisely the ammunition they needed to reinforce their claim to the king that Prince Abdullah was not strong or experienced enough to run the government."

Prince Abdullah's conservative attitude and his relative lack of government experience could also have inclined him to "nod his consent" to attempts by Qatar's deposed ruler Sheikh Khalifa to regain his throne from his son Sheikh Hamad Bin Khalifa Al-Thani. King Fahd on the other hand is too experienced to let his personal instincts of friendship for Sheikh Khalifa to get the better of his political judgment. King Fahd had already officially recognised Qatar's new ruler and would have discouraged any attempt by Sheikh Khalifa to regain his throne.

Similarly with regard to the disturbances in Bahrain, King Fahd may have done more than simply issue strong statements encouraging Bahrain's ruling family to take a tough line. King Fahd's caution may now move him to encourage the Bahrain government to alleviate some of the symptoms of the unrest even if Saudi Arabia remains firmly against any concessions.

On the domestic political front King Fahd's presence at the head of the government is more important than ever in view of the continuing failure to find those responsible for the car bomb attack at a US-managed office associated with the Saudi national guard on November 13 which killed five Americans and two Indians. US residents in Saudi Arabia have become more anxious about their safety as more warnings are issued for them to be cautious.

The King's return also adds a sense of drama to the succession issue. "It suggests Prince Abdullah's leadership qualities – albeit temporary – have failed to impress senior members of the ruling family who alone decide on the succession. Prince Abdullah will be 73 this year. The defence minister Prince Sultan, the king's full brother and who is 72 this year, "has never in 30 years hidden his ambition to be king", according to one seasoned observer in Washington.

But with these three in their 70s and a record of illness between them, there are question marks over the long-term stability of the country now facing a possible string of ageing monarchs and short reigns.

King Abdul-Aziz (Ibn Saud), the founder of modern Saudi Arabia, who died in 1953, had more than 55 children including 34 sons, 27 of whom, including King Fahd, are alive today. The total number of direct descendants of Ibn Saud is put at 4,000-6,000. The core who wield political clout number 35-40, according to Michael Field, author of "Inside the Arab World".

King Fahd is the fifth son of Ibn Saud to have become king. Prince Abdullah would be the sixth. Prince Sultan is widely thought to be second-in-line to the throne, even a contender.

Prince Sultan is, after the king, the eldest of a group of full brothers known as the Sudairy Seven, named after their mother Hassa Bint Ahmed Sudairy, Ibn Saud's favourite wife whom he married, divorced and married again.

King Fahd: taking back the reins of power AP

Robin Allen

UN, Iraq inching closer on oil sales

By Michael Littlejohns at the UN, New York

Talks between Iraq and the United Nations that ended on Monday brought both sides to a key point in a 12-step plan that could culminate in a return of Iraqi oil to world markets, the UN said last night.

"Right now, the momentum is excellent," Ms Sylvana Foa, the UN spokeswoman, told reporters after Mr Boutros Boutros Ghali, the secretary general, briefed the Security Council at a private meeting.

He was said earlier to have been encouraged by the results of 15 days of talks with the Iraqis and to have detected signs of progress.

Though no agreement was reached on the proposed sale of up to $2bn (£1.2bn) of Iraqi oil, mainly to pay for badly needed food and humanitarian supplies, the negotiators identified problems involved for subsequent political decisions to be made by both President Saddam Hussein and the UN.

Countering reports in some quarters that the outcome was disappointing, Ms Foa said there was no time frame for an accord and the current mood was, "let's get moving".

Following the talks, which were technical in nature, the next step would be the adoption of a procedure for sales of oil, Ms Foa said.

This would be a task for the Security Council's sanctions committee, which will meet next Thursday.

Afterwards, according to a plan prepared by Mr Boutros Ghali, a bank would have to be chosen to hold the escrow account to receive payments from Iraqi oil sales and release funds for the purchase of food and humanitarian supplies.

Selection and appointment of oil "inspection agents" to help the sanctions committee would be the next step, followed by redeployment of UN personnel to plan and oversee distribution of food and humanitarian supplies.

The UN said the organisation must also be satisfied supplies were adequate and were passed out equitably.

INTERNATIONAL NEWS DIGEST

Iran intervenes on N-test treaty

Iran sought a breakthrough yesterday in the standoff between India and the big nuclear powers in the search for agreement on a global ban on atomic weapons tests. "You are working against time," Mr Ali Akbar Velayati, Iran's foreign minister, told the 38-nation Conference on Disarmament, which is trying to wrap up a comprehensive nuclear test ban treaty this year.

Mr Velayati presented the conference with a proposed compromise treaty to bridge some 1,219 points of contention, in the current negotiating draft. He said no country would find all of its positions in the 63-page proposal, but that each would find its views were represented in some way. The surprise move by Iran was similar to a proposal by Australia several years ago credited with breaking the logjam for negotiations on a treaty to ban chemical weapons.

The proposal was welcomed by Mr Daryl Kimball, a representative of the Nobel Peace Prize-winning International Physicians for the Prevention of Nuclear War, who was in Geneva to urge the conference to speed talks. *AP, Geneva*

Morocco in refinery flotation

Morocco said yesterday it would float 25 per cent of its biggest refinery, Samir, on the Casablanca bourse at Dh243 (£18.50) a share and valued the refinery at Dh5bn (£380m).

Mr Abderrahman Saaidi, the privatisation minister, told a news conference the flotation would raise Dh1.3bn from the sale of 5,160,375 shares, making it the biggest state sell-off so far. Subscriptions will open from March 4 to 12.

Up to 55 per cent of the refinery, Société Marocaine de l'Industrie du Raffinage (Samir), which has a capacity of 6m tonnes a year, will be sold to a strategic investor. It expects a net profit of $64m (£41.5m) in 1995. *Reuter, Casablanca*

Nigeria Airways' $100m missing

Cash-strapped Nigeria Airways said $100m granted to its previous management by the government to start an international airline could not be traced, local newspapers reported yesterday. Group Captain Peter Gana, the company's managing director, said in Lagos recently the money was handed over to the airline in 1992, when it was to be split into Nigeria Airways for local services and Air Nigeria for international operations.

"Despite the release of the money, there is nothing existing on the ground called Air Nigeria and that money is not in the accounts of Nigeria Airways, at least I don't know where it is." The Punch newspaper quoted Mr Gana as saying. After the government probed Nigeria Airways, its entire management was sacked and a new team led by Capt. Gana, an air force officer, appointed to try to revive the airline. *Reuter, Lagos*

Moi launches economic agenda

Kenya's President Daniel arap Moi launched his economic agenda for the next three years, focusing on reform of loss-making public companies, cutting the civil service and eliminating widespread corruption. He also created a presidential economic commission including private sector executives and chaired by himself to implement the programme in a 1996-98 policy framework paper.

It targeted for reform ports and airports authorities, the posts and telecommunications company, power and light company, the National Cereals and Produce Board and National Social Security Fund – all seen as poorly managed. In a rare and frank assessment of Kenya's situation, Mr Moi said 10m people in a population of 28m lived in poverty and 1.5m were expected to enter the labour force by the year 2000. *Reuter, Nairobi*

NEWS: THE AMERICAS

Powell, Kemp and Giuliani shake their heads over conservative policies of pace-setter

Republican leaders warn against Buchanan

By Jurek Martin, US Editor, in Washington

US ELECTIONS *November 5*

The victory by Mr Pat Buchanan in the New Hampshire presidential primary this week has brought the Republican party establishment, including recent recruit General Colin Powell, out in force to warn of the consequences of his becoming the US presidential nominee.

Gen Powell, former chairman of the joint chiefs of staff, said in a Wednesday night TV interview that he could never vote for Mr Buchanan. He "gives out a message of intolerance which I think is very unfortunate," he said. But Gen Powell did not hint he might be persuaded to reconsider his own decision not to run.

Mr Jack Kemp, former housing secretary, described Mr Buchanan's policy prescriptions as pessimistic, negative and exclusionary, but he conceded "legitimate concerns" about job losses and trade. Mayor Rudolph Giuliani of New York, whose state's Republican primary is on March 7, said Mr Buchanan was "extremely hostile to New York" and pledged "everything we can" to stop him.

Mr Haley Barbour, the party's national chairman, tried to preserve his neutrality by saying it was too early to draw conclusions about the nominee. He was confident it would be someone "Republicans can unite behind" well in advance of the election in November.

Another to sit on the fence was Governor George Bush of Texas, site of a vital primary on March 12. The son of the former president, however, was implicitly critical of Mr Buchanan's protectionism.

Mr Bush's backing in the nomination race has been actively sought by Mr Lamar Alexander, former governor of Tennessee, for whom the Texas primary looms as a make-or-break contest if his lagging fund-raising is to be revived.

This barrage did not deter Mr Buchanan during a four-state campaign swing yesterday. "I'm not in the business of weeding anybody out of the Republican party," he said in Denver, Colorado. His goal was to broaden its base by bringing in minorities and the working classes, traditional backers of the Democratic party.

And Pat might make five: Buchanan visits the four graven presidents of Mount Rushmore with his wife Shelly *Picture: Reuter*

On Wednesday, Mr Buchanan visited Mount Rushmore in South Dakota, which, with North Dakota and Arizona, is to hold its primary on Tuesday. He posed in front of the monumental faces of the four presidents carved out of the rockface and proclaimed: "Washington, Jefferson, Lincoln and Theodore Roosevelt all believed that the American economy was designed for the American worker and the American family."

But it may not have helped Mr Buchanan that his one notable endorsement yesterday came from Mr Vladimir Zhirinovsky, the Russian ultra-nationalist.

Elsewhere, Senator Dick Lugar of Indiana, who was fifth with 5 per cent in New Hampshire, said he would concentrate on New England, five of whose states hold primaries on March 5. Senator Bob Dole, the Senate majority leader, would like Mr Lugar to withdraw, confident that most of his support would move over.

But the majority leader continues to garner bad reviews. A New York Times editorial yesterday called him "somnolent", while one in the Wall Street Journal said it was "amazing" that "he still can't find the words" to endorse the Republican "revolution" of 1994.

Greenspan set for third term

By Michael Prowse in Washington

President Bill Clinton was yesterday expected to nominate Mr Alan Greenspan to a third term as Federal Reserve chairman and Ms Alice Rivlin, the US administration's budget director, to the Fed vice-chairmanship vacated last month by Mr Alan Blinder, the Princeton University economist.

Mr Laurence Meyer, an economics professor at Washington University in St Louis, was also expected to be nominated to a second board vacancy, created by the resignation last year of Mr John LaWare, a Boston banker.

Such announcements would end months of indecision over Fed personnel. The White House had reservations about Mr Greenspan, who, it felt, could have done more to promote economic growth. But it could find no alternative candidate of comparable standing acceptable to Wall Street and to the Republican-controlled Senate banking committee, which must confirm Fed nominees.

Ms Rivlin had indicated that she did not want a Fed appointment. However, she emerged as a last-minute candidate for the Blinder vacancy after the withdrawal of Mr Felix Rohatyn, the New York investment banker. Republican senators had vigorously opposed Mr Rohatyn, long a passionate advocate of higher social spending and government intervention to stimulate growth.

Ms Rivlin, a Washington insider, should win Senate approval. She is seen as a heavyweight economist but as a less polarising figure than Mr Rohatyn. Before joining the Clinton administration, she won the respect of Republicans and Democrats in Congress as the first director of the non-partisan Congressional Budget Office.

Mr Laurence Meyer, an economics professor at Washington University, heads his own economic forecasting company, Laurence H. Mayer & Associates. He has a PhD in economics from the Massachusetts Institute of Technology and has been a visiting scholar at the Federal Reserve Banks of New York and St Louis.

Mr Clinton had been under growing pressure to fill the Fed vacancies. Mr Greenspan's second term expires on March 2, and the Fed has rarely functioned with two vacancies on the seven-member board.

Argentine 'mafia' charge revived

Cavallo defends his tax record

By David Pilling in Buenos Aires

Mr Domingo Cavallo, Argentina's economy minister, has strongly defended himself on both legal and ethical grounds, after revelations about his tax payments in 1994. For that year, he paid tax equivalent to only $5,009 on income of nearly $260,000.

Mr Cavallo, in a television interview, also reopened his running battle with Mr Alfredo Yabrán, the postal entrepreneur who, he alleged, had leaked Mr Cavallo's tax return to discredit him. "They want me to lose my moral authority to fight tax evasion... and to fight crime and mafias," the minister said.

Last September, Mr Cavallo's accusation that "mafias" were close to the government led to a crisis within the Peronist administration and a sharp fall or Argentine stocks and bonds.

Mr Cavallo said in the interview there were "absolutely no irregularities" in his sworn declaration of income. "I paid all the taxes I was meant to," he said. He admitted that he earned, like all other ministers, a *sobresueldo* (top-up salary), but said this was about $6,000 a month, not the $9,000 that had been deduced from a misreading of his tax return.

The minister also said he had long argued against the top-up system, suggesting that such payments be incorporated into regular salaries, but the administration had demurred because the public would not tolerate an apparent tripling or quadrupling of ministerial pay.

Mr Cavallo also defended his right to own stocks and bonds. These were managed for him by Banco Roberts. He in no way used inside knowledge to speculate, he said.

It was the subject of Mr Yabrán, however, that captured headlines yesterday. In an interview with the magazine *Gente*, Mr Cavallo appeared to suggest that the businessman might try to kill him. *Gente* quoted him as saying: "If Yabrán has me killed, or sends one of his henchmen to kill me, everyone will know what happened."

In the television interview, Mr Cavallo said his words had been taken out of context. In *Gente*, he had been speaking of a hypothetical situation, he said. "I never said that Yabrán wanted to kill me."

Last year, Mr Cavallo launched an attack on Mr Yabrán in order to block a post office privatisation bill which, he alleged, had been tailored for the businessman.

This implication that members of the government were open to corruption unleashed a battle within the cabinet and sent markets tumbling. It was only when Mr Cavallo dropped the subject that rumours of his imminent dismissal faded.

● Argentine President Carlos Menem's application for wide-ranging tax and spending "superpowers" moved closer to fruition when the Senate approved one element of a two-pronged bill.

AMERICAN NEWS DIGEST

Brazil carnival deaths increase

Brazil's carnival weekend, which climaxed on Tuesday night, was the most violent yet, with 219 murders recorded in São Paulo state alone, an increase of 42 per cent from last year. In Rio de Janeiro, there were 58 homicides, a 32 per cent increase.

São Paulo police blamed the increase on drug and alcohol abuse related to the festivities. Drug traffickers, long visible in Rio de Janeiro, are increasingly penetrating the poor outskirts of São Paulo, where they are fighting one another, and police, for control.

Authorities said the São Paulo total, measured between last Friday and Wednesday morning, included 81 murders where the police had no clues. *Angus Foster, São Paulo*

US navy grounds F-14s

The US navy grounded all its F-14 fighter aircraft for 72 hours yesterday, after one crashed into the sea off the aircraft-carrier Nimitz in the Gulf region, a spokesman said. He said both crewmen survived. The crash was the third involving F-14s recently. The aircraft were built by Grumman, now part of Northrop Grumman.

"The pilot and radar intercept officer ejected and were recovered from the sea by the ship's rescue helicopter, both with minor injuries," the spokesman said. *Reuter, Washington*

Tidal wave hits Peru

A tidal wave hit Peru's northern coast and killed 10 fishermen, after an earthquake on Wednesday in the Pacific, authorities said on yesterday.

Civil defence officials said that, soon after the tremor, a 20-foot wave hit the coast near the port of Chimbote, 250 miles north of Lima.

An earthquake measuring 6.7 on the Richter scale, and originating 15 miles beneath the ocean, shook northern Peru early on Wednesday, but local officials had initially said there was no damage or injury.

● An earthquake struck central Chile yesterday, knocking out telephone lines in the capital, Santiago, panicking residents and causing some minor damage but leaving no injuries. *Reuter, Lima and Santiago*

Informal meeting for leaders

Hashimoto to mend fences at Clinton summit

By William Dawkins in Tokyo

Japan aims to improve relations with the US at the first meeting between their respective leaders since the combative Mr Ryutaro Hashimoto became Japanese prime minister last month.

Mr Hashimoto will this evening have a strictly informal meeting with President Bill Clinton in Santa Monica, California, to become acquainted before their first formal summit in Tokyo in mid-April.

Since taking over as prime minister, Mr Hashimoto has dropped the hawkish tone that won him domestic plaudits as trade minister, during last summer's heated trade talks on US access to the Japanese car market.

Mr Hashimoto told businessmen before leaving Tokyo he wanted to use today's meeting to reinforce the security alliance with the US, traditional mainstay of Japanese foreign policy. "The purpose of the meeting is to solidify our mutual trust," he said.

Both sides are concerned to calm continuing objections by the people of Okinawa to the presence of 47,000 US troops on the island, the largest US base in Japan. Feelings are still bruised by the alleged rape of a schoolgirl last September by three US servicemen.

The incident has provoked a wider debate about the value of the US security umbrella, unquestioningly accepted in Japan since the early 1960s.

Much, though not all, the heat has gone out of the previously troubled US-Japan trade relationship. One good sign is last month's fall in Japan's trade surplus with the US.

It halved from its level in January last year to $1.55bn, the lowest in 12 years, partly helped by a rise in car imports. That is seen by US officials in Tokyo as a sign last year's hard-won trade accord has at last started to pay off.

Hashimoto: informal approach

Senior officials on both sides stress that the leaders are unlikely to spoil the goodwill planned by tackling the five outstanding bilateral trade disputes: foreign access to Japan's markets for insurance, semiconductors, photographic film, Japanese access to the US market for air freight, and alleged Japanese infringement of international music copyright laws.

Even if the two leaders were to descend from reinforcing their wider ties to the details of trade, they would see signs of progress on some of the outstanding disputes.

The two sides remain far apart on semiconductors. The US is seeking, against Japan's wishes, renewal of an agreement due to expire in July that reserves a fifth of the Japanese market for foreign producers.

Japanese trade officials warn that Mr Hashimoto's newly-diplomatic tone may not alter the policy of resistance to bilateral trade pressure. "Because he is now prime minister does not mean his stance or that of the Japanese government will change," one official said.

N Korea N-plan before EU

By Peter Montagnon, Asia Editor, in London

South Korea and Japan are to ask Europe for a contribution to the $4bn project to develop safe nuclear power generation in North Korea, at next week's Europe/Asia summit in Bangkok.

The EU has been considering for several months a contribution to the project, under which North Korea has agreed to scrap programmes capable of producing weapons-grade plutonium. But, although Finland, the UK, France and Germany have made small individual contributions, no agreement has been reached on European-level funding.

European officials say next Monday's foreign ministers' council in Brussels will again address the issue in the hope a response can be ready for the Bangkok summit.

Under consideration is an initial contribution of some Ecu5m ($6.25m) from the EU's limited common foreign and security policy budget. Additional contributions could follow in later years.

Agreement has been difficult because of conflicting views among member states about how the money should be used. Some, such as Sweden and Austria, have general reservations about nuclear energy and want the money to go to buy heavy fuel oil while the reactors are being built.

Others, such as France, want the funds tied to the use of European technology, and for Europe to have a say on the workings of the Korea Peninsula Energy Development Organisation (Kedo) masterminding the project.

But there is general agreement in Europe that even a modest contribution would be a demonstration at the summit of European concern about Asian security issues.

Japan is also particularly anxious to obtain a positive response in the wake of its own $20m emergency relief contribution to Bosnia. It fears public opinion at home will no longer support such gestures if its own requests for aid are refused by Europe.

South Korea is expected to provide the bulk of the costs of the Kedo project. Its Korea Electric Power is the main contractor and the project will use Korean light-water reactors manufactured under licence from Combustion Engineering of the US.

Japan is expected to provide significant financing, but the US, which is the other partner in Kedo and brokered the original deal, has offered little financial support.

Kedo has been seeking contributions from other countries, partly to fill this gap and to signal clearly to Pyongyang broad international support for the project as the only acceptable way of dealing with its nuclear programme.

Pyongyang pushes US treaty

By John Burton in Seoul

North Korea yesterday renewed its call for a new security agreement with the US, but has dropped its immediate demand for a peace treaty with Washington.

During the past two years, North Korea has been unilaterally attempting to dismantle the armistice system that ended the 1950-53 Korean war, in an effort to force the US to sign a formal peace treaty.

North Korea believes a peace agreement would amount to a security guarantee from the US and possibly lead to the removal of US troops from South Korea.

Washington has refused to discuss such a treaty, explaining that peace talks should be conducted between North and South Korea.

But North Korea has refused to hold negotiations with Seoul, which it regards as a US puppet, since Washington signed the armistice on behalf of South Korea at the end of war.

In a new initiative, North Korea's foreign ministry offered to negotiate a temporary agreement with the US to replace the armistice commission with a joint North Korean-US military body to monitor the truce until a peace treaty is signed.

North Korea "deems it an urgent necessity to institute a mechanism that is intended, at least, to deter armed conflict and war on the Korean peninsula," the foreign ministry in Pyongyang said, adding: "The US should affirmatively react to the initiative".

Although it continues to exclude South Korea from a peace treaty, North Korea hinted it might resume talks with Seoul on implementing their 1991 non-aggression pact if security negotiations progress with the US.

This suggests North Korea may be seeking a compromise on the security issue because of a desperate need to end its isolation in response to growing economic problems, including food shortages. But South Korea initially appeared sceptical about the North Korean offer, believing it is an attempt to establish closer ties between Pyongyang and Washington, while isolating Seoul.

"There is nothing new in the North Korean offer, which is merely a replacement for its persistent demand to conclude a peace treaty with the US," a spokesman for the national unification ministry told a press briefing, as quoted by the South Korean news agency Yonhap.

But the ministry later refined the remarks, indicating Seoul might be taking a second look again at the North Korean proposal.

Seoul deficit hits record $8.82bn

By John Burton in Seoul

South Korea's current account deficit almost doubled to a record high of $8.82bn last year due to increased imports of capital goods and raw materials.

The figure underscored Korea's heavy dependence on machinery and raw materials from abroad to operate its export-oriented industries. The current account covers trade in goods and services plus money transfers.

A sharp increase in Korean exports results in a corresponding rise in industry-related imports. This occurred last year as exports surged due to a weak Korean currency.

Last year's current account deficit exceeded the previous record of $8.72bn in 1991, and is a 95 per cent increase from the 1994 deficit of $4.53bn.

The Korean central bank predicted the 1996 deficit would narrow to $6bn because of slower export growth and a drop in imports of capital goods.

Korea reported a trade deficit last year of $4.7bn against $3.15bn in 1994, with a 31.6 per cent increase in exports to $123.2bn and a 32.2 jump in imports to $127.9bn on a balance-of-payments basis.

An unexpectedly small trade surplus in December of $252.2m, also announced yesterday, increased the current account deficit. The December surplus had been forecast at $700m-$800m.

Developing countries for the first time replaced advanced industrial countries as Korea's largest export market, accounting for 50.1 per cent of total exports, aided by growing sales of semiconductors, cars, ships and other heavy industrial products.

Overseas shipments of these products rose 37.5 per cent year-on-year and accounted for 70 percent of total sales last year.

While South Korea enjoyed a $19.1bn trade surplus with developing countries on a customs clearance basis, it suffered a $29.1bn trade deficit with the industrialised world.

South Korea had trade deficits of $15.5bn with Japan and $6.29bn with the US, reflecting their importance as the main source of capital goods for South Korean industry.

Invisible trade resulted in a $3.51bn deficit, including $1.22bn in travel accounts and $2.38bn in financial accounts such as interest and royalty payments.

This compared with a deficit of $1.99bn in 1994, the result of rising transportation fees, following expanding trade, widening deficits in tourism and rising royalty and interest payments.

The economy grew an estimated 9.3 per cent against 8.4 per cent in 1994. A central bank official said last year's deficit was 2 per cent of gross domestic product.

ASIA-PACIFIC NEWS DIGEST

Emigration from HK slows down

Emigration from Hong Kong slowed last year, reflecting the clearing of a backlog of applications and some easing of concerns about next year's return to Chinese sovereignty, officials said yesterday. The Hong Kong government security branch said about 43,000 people emigrated in 1995, against 62,000 in 1994. Officials said they expected an increase this year, but not a sharp one.

Despite the outflow, Hong Kong's population continued to grow last year. Census department statistics showed total population increased by 158,800, or 2.6 per cent, to an estimated 6.31m. This included a net inflow of 120,600, including migration of mainland Chinese into the colony. In July last year, the daily quota of Chinese immigrants was raised from 105 to 150. *John Ridding, Hong Kong*

Thai SEC defends position

Staff at the Thai Securities and Exchange Commission (SEC) have complained of an inability to carry out their duties, due to a climate of insecurity since the unexplained sacking late last year of the agency's chief executive, Mr Ekamol Khiriwat.

In an open letter to the SEC board, which at the urging of the finance minister, Mr Surakiart Sathirathai, forced Mr Ekamol to resign, SEC staff said Mr Surakiart's refusal to produce evidence that Mr Ekamol leaked classified information had damaged their ability to supervise the country's financial markets. Mr Ekamol's dismissal showed that "anyone can easily exploit trivial mistakes made by SEC officials in the course of their duties in order to punish them, irrespective of the nature or the extent of seriousness of the offences," the letter said. Mr Surakiart has come under heavy criticism for his handling of the case, where Mr Ekamol was dismissed from his concurrent job as deputy governor of the central bank. *Ted Bardacke, Bangkok*

Japanese unhappy about society

Most Japanese adults are discontented with Japanese society but are optimistic about their own lives, a survey by the Economic Planning Agency released yesterday shows. The questionnaire found 79 per cent of respondents see an increase in the number of "irresponsible people", amid concern about the safety and order of Japanese society. Some 79 per cent said people were selfish; 75 per cent said ethics and social justice were being eroded. But over half the respondents said they were optimistic about their own future.

Some 59 per cent were satisfied or somewhat satisfied with their lives as a whole. The percentage ratio of those satisfied with their lives is higher for women than men; workers in bigger companies were more satisfied than employees of smaller companies in the same income bracket. *Kyodo, Tokyo*

Prince sentenced in absentia

Prince Norodom Sirivudh, the half brother of Cambodia's King Norodom Sihanouk, was convicted in absentia yesterday and sentenced to 10 years in prison for his role in an alleged plot to kill the co-premier, Mr Hun Sen. In announcing the guilty verdict and the sentence, the Phnom Penh municipal court judge, Mr Ya Sokhon, said the prosecution had offered more than enough evidence that Prince Sirivudh, 44, had conspired with an "armed group" to kill Mr Sen.

The prince, a former foreign minister and secretary general of the royalist Funcinpec party, has repeatedly maintained his innocence but decided not to return to the trial, which he called a "mockery of justice." *AFP, Phnom Penh*

Kurile plans upset Russia

Russia voiced concern yesterday over Japan's plan to set up a 200-nautical-mile economic exclusion zone around its coast that would include four disputed islands in the Kurile chain. A foreign ministry official, quoted by Itar-Tass news agency, said he hoped Japan would "not take any action capable of aggravating Japanese-Russian relations", after Tokyo announced on Tuesday it would ratify the UN Convention on the Law of the Sea ahead of establishing the new zone.

Ministry officials voiced "surprise and regret" at the publication of a map showing the planned nautical exclusion zone in Japanese newspapers.

Japan has a long-standing territorial dispute with Russia over four islands in the Kurile chain occupied by Soviet troops in the closing days of the second world war. *AFP, Moscow*

An end to spending promises

Nikki Tait on concern about the outlook for the fiscal deficit

AUSTRALIAN ELECTIONS
March 2

Health policies, environmental policies, tax cuts – the financial promises have come thick and fast in Australia's federal election campaign. "I don't think we've fought an election on pork-barrelling like this for many years," says one anxious bank economist, totting up the numbers. Even the politicians seem to have sensed that things have got out of hand. Mr Paul Keating, Australia's Labor prime minister this week went as far as to claim points for promising to spend less than his Liberal-National coalition opponents this week: "They've made the classic mistake. They think they've got to buy people's votes. They've picked the mood wrong," he said.

At the same time Mr John Howard, the coalition leader, was also insisting that the promises were over. "Any suggestions that there are further large amounts to come are inaccurate," he said.

This belated rectitude derives from the realisation that a sceptical electorate, which votes on March 2, is unimpressed. There have been enough broken promises in Australians' not-too-distant political history to question any commitments that do not look solidly funded.

The coalition has been making the bigger promises, pledging new programmes or tax cuts that will cost A$6.3bn (£3.1bn) over the prospective three-year parliamentary term. The big items are increased spending on health and A$1bn-a-year tax cuts for families, including single-parent ones, with children.

Labor, meanwhile, has pledged new expenditure of about A$2.9bn, 40 per cent on health.

"Both parties are offering new middle-class welfare at a time when we believe, in aggregate, it should be reduced," said the Business Council of Australia. "We are quite unequivocal that we want the [federal] budget brought into surplus as soon as is possible."

That, indeed, is the issue. Both sides are making their promises from an unknown budgetary starting-point. The latest projections from the Treasury, issued before Christmas in the mid-term financial review, were of a federal budget surplus of A$115m for 1995/96, only slightly below the A$718m forecast.

But this was to be achieved after big asset sales – including the bulk of the government's remaining 50.4 per cent stake in Commonwealth Bank, worth about A$4.5bn – and a large early debt repayment by the Victorian state government. Economists calculate that the underlying deficit (excluding one-off items, largely asset sales) stands at around A$8bn-A$9bn, or about 2 per cent of gross domestic product.

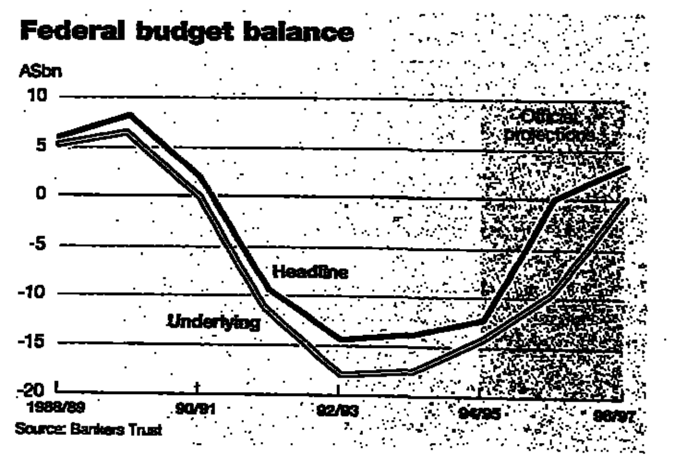
For the more relevant 1996/97 financial year, everyone is still working from last May's estimates. These promised a small "underlying" surplus. But with the economy slowing and some of the government's 1995/96 budget revenue measures having failed to pass in the Senate, parliament's upper house, private sector economists think this will be missed by a big margin.

There is also particular concern among some forecasters that the government may have underestimated the number receiving unemployment benefits.

The result is that estimates of the 1996/97 budget balance vary wildly with a middle-range for the underlying deficit of A$4bn-A$7bn.

Cynical commentators suspect that all this confusion does not distress the opposition too much. If it wins "the coalition will be in a position to do the old 'Mother Hubbard' routine (Oh dear, the cupboard is bare)", said a report from Bankers Trust.

But, if in an increasingly strict fiscal environment, the underlying budgetary situation outlook is not encouraging to begin with, there still is a suspicion that both sides may be making it worse with their election largesse. To fund its family tax cut promises and increased spending on health, the coalition claims to have earmarked compensating expenditure reductions of A$6.3bn, and additional revenue measures of A$2.53bn – making for a A$2.6bn improvement in the budget bottom-line.



Source: Bankers Trust

But Labor has already taken a pot-shot at these numbers, with Mr Kim Beazley, finance minister, suggesting that the cuts may be overstated by A$2.85bn.

On the other hand, the lower additional outlays promised by Labor have made its funding job correspondingly easier. Principally by axing the "tariff concession scheme" – which provides importers with a tariff concession if there are no local manufacturers of substitute goods – it has come up with offsetting tax and expenditure measures of about A$3.1bn.

The one fiscal plus on the coalition's side is that it would fund its A$1bn environmental programme from the proceeds of its planned partial privatisation of Telstra, the large government-owned telecommunications. Rough estimates put an A$8bn price tag on the one-third stake in Telstra which the coalition says it would sell. The remainder would go to reduce public debt.

But even this could be fraught with problems. An A$8bn privatisation (of which less than 35 per cent could be sold to overseas investors) would be substantially larger than any previous stockmarket float absorbed by the Australian market – although Mr Costello says he has advice that it is possible.

What is more serious, the Australian Democrats – one of the minor parties – say they are adamantly opposed to the sale. Since minor parties currently hold the balance of power in the Senate, and are likely to do so again after March 2, there is no guarantee that sale legislation could be forced through.

UK and Irish leaders seek new formula

By John Kampfner and Jimmy Burns in London and John Murray Brown in Dublin

The UK and Irish governments were yesterday seeking to put the finishing touches to a new formula leading to all-party negotiations in Northern Ireland which they hope to announce at a summit next week.

Senior officials said the plans aimed to merge Dublin's plan for preliminary talks, the proposal for elections to a constitutional convention favoured by British ministers and unionists, and the idea of a referendum set out by moderate nationalists.

A summit is now expected between Mr John Major, the UK prime minister, and Mr John Bruton, his Irish counterpart, next Wednesday.

The meeting has been delayed because both governments are adamant it must lead to a substantive announcement demonstrating their common approach to a political settlement despite the resumption of IRA violence.

However, with security chiefs predicting further IRA bombings on the British mainland, ministers are extremely cautious about the prospects of progress.

Of the many pitfalls, the governments have yet to decide how to treat Sinn Féin, the IRA's political wing which has refused to condemn the bombings or the end to the ceasefire.

Both governments have allowed officials to continue to meet Sinn Féin leaders, but ministerial contacts have been suspended.

"There is a priority to get the ceasefire restored. At the same time, the governments are moving to get a political framework into which Sinn Féin could enter once the ceasefire is restored," an Irish official said.

Sir Patrick Mayhew, Northern Ireland secretary, suggested to MPs that parties would be obliged to endorse the principles of the 1993 Anglo-Irish declaration - seen as leading to the first ceasefire - to enter the talks. He told the House of Commons: "Any restoration of a ceasefire - and one should occur straight away - has got to be credible."

Dublin is also keen to include in any declaration next week a firm date for the start of all-party talks, however British ministers are wary of committing themselves in advance.

Mr Major held more talks with Mr David Trimble, the Ulster Unionist leader, who this week published his party's constitutional proposals.

Mr Major is today due to see former Senator George Mitchell, whose report on paramilitary decommissioning in January had been seen as a vital element in tying Sinn Féin in to the political process. The prime minister was criticised by nationalists for ignoring Mr Mitchell's main proposals and opting for elections instead.

Mr Mitchell yesterday ruled out a new role for himself in Northern Ireland, adding: "I was surprised to see some reports and analysis suggesting that Mr Major rejected our report. That simply was not the case and we didn't see it that way." Mr Mitchell later travelled to Dublin for talks with the Irish government.

Business turns down in face of consumer confidence

By Gillian Tett, Economics Correspondent

After several years of an economic recovery in which businesses have boomed while consumers remained gloomy, the tables are turning.

Business profits showed the sharpest quarterly drop in the fourth quarter of 1995 for five years, official figures yesterday showed. However, employee incomes grew at the fastest rate since 1990.

This rise in consumer spending power will be welcome news for the UK chancellor, who hopes that the "feelgood" factor may be returning soon.

However, the weaker business profits, and flat industrial profile, underline the patchy picture of the UK economy.

Measured overall, the Central Statistical Office said that UK economic output was a seasonally adjusted 0.5 per cent higher in the fourth quarter of 1995 than the third quarter, and 1.9 per cent higher than a year before.

This was slightly higher than the CSO's first estimates of growth last month, when it thought that quarterly growth was 0.4 per cent, while yearly growth was 1.8 per cent.

These upward revisions surprised the City, not least because many economists had thought that growth was slowing sharply towards the end of last year.

But in spite of the better than expected figures, the City remained cautious about the growth outlook - not least because a breakdown of the data revealed a very patchy performance.

One sharp distinction, for example, came from the split between manufacturing and services.

Services, which account for about two-thirds of economic output in the UK, showed a healthy rise of 0.8 per cent in the quarter. Manufacturing, by contrast, fell back by 0.2 per cent in the quarter, with industrial production remaining flat.

Inquiry into tanker salvage

Oil toil: cleaning up west Angle Bay after the oil spillage from the Sea Empress Ashley Ashwood

By George Parker and Charles Batchelor in London

Sir George Young, transport secretary, yesterday announced an inquiry into the operation to rescue the stricken Sea Empress, as he acknowledged for the first time that mistakes may have been made.

In a move which may deflect criticism of his own role in the affair, Sir George told MPs of his "disappointment and frustration" that early salvage attempts had failed.

Labour called on Sir George to resign, and insisted he should have intervened to ensure that powerful tugs were on hand when the salvage operation went wrong.

The Sea Empress was moored at a disused jetty in Milford Haven inlet yesterday as divers inspected its hull and salvage experts began moving additional equipment on board in preparation for pumping its remaining oil cargo into other tankers, an operation which will begin today or tomorrow.

Devonport dockyard privatisation on track

By Bernard Gray, Defence Correspondent

The Ministry of Defence and DML, the company which runs the Devonport dockyard in Plymouth, Devon, for the government, are on the point of agreeing privatisation of the yard and the installation of facilities to refit Britain's Trident submarines.

Provided a few remaining details are resolved and the plan is accepted by ministers, the sale will be announced in parliament in the next weeks.

In a sign that the negotiations have run their course, Mr Michael Leece, DML's chief executive, resigned yesterday to make way for a new head once the dockyard is sold. Mr Leece will remain at DML until privatisation is complete.

In arguing Devonport's case with the MoD, Mr Leece is thought to have made a number of enemies over the last three years of negotiation over the yard's future. A change of chief executive is thought necessary to strike a new relationship with the MoD. Devonport's management also needs to be reformed for a very different role as full owner of the yard rather than as a government contractor.

Ownership of DML is split equally between Brown & Root, the US contracting engineers Weir Group and cable company BICC, but Brown & Root is to take a 51 per cent shareholding on privatisation.

The price for the new Trident facilities is also likely to be much higher than the £236m ($363m) quoted when Devonport beat Rosyth in Fife to the Trident contract in 1993. The final bill for the complex of dry docks and refuelling facilities is likely to be around £325m, much higher than Rosyth's original bid.

Opposition MPs will object strongly to the spiralling costs. The MoD is likely to argue that some costs were excluded from the competition, tougher nuclear safety standards have been imposed, and DML will have to bear the risks of cost overruns and of getting a nuclear site licence for the facilities.

However, if ministers reject the final plan, the MoD will be left with no option but to complete the new facilities itself and abandon the sale.

Mr Michael Portillo, the defence secretary is thought to be deeply reluctant to sanction such a retreat from privatisation.

Challenge laid by UK mortgage lender's new rates

By Alison Smith and Gillian Tett in London

Nationwide Building Society, the UK's third largest mortgage lender, yesterday launched an aggressive scheme of improved rates to around 7m savers and borrowers which it challenged competitors to meet.

In a move which it estimated would cost £200m in a full year, the society cut its home loan rate by 0.45 percentage point to 6.99 per cent, while increasing rates for savers by an average of 0.25 percentage point.

Typically, mortgage lenders have operated on a net interest margin of more than 2 percentage points, but the pressure of competition is driving the margin down towards 1.5 points.

Other large building societies which, like Nationwide, have committed themselves to remaining owned by their savers and borrowers welcomed the move. They said it underlined the benefits of staying mutual instead of becoming public limited companies, which had to pay dividends to shareholders.

"If Nationwide were a public limited company, we would not be doing this," said Mr Brian Davis, its chief executive. Neither of the two largest lenders responded with a mortgage rate cut, which would have forced the rest of the market to follow.

Instead, both Halifax Building Society - which plans to become a bank next year - and Abbey National, the home loans and banking group, cast doubt on whether Nationwide could sustain its move to narrow its net interest margin by 0.7 percentage points.

"It's a tactic - perhaps a bit panicky - by Nationwide, as a short-term marketing initiative," said Mr Charles Toner, managing director of Abbey's retail division.

"We have stress-tested this scheme," said Mr Alistair Dales, finance director. "We could still make a major acquisition and we could cope even if provisioning for bad and doubtful debts had to rise as it did a few years ago."

The increase in Nationwide's savings rates will take effect from the start of next month, while the mortgage rate cut will be introduced from the beginning of April.

The move in home loan rates is the third time since last autumn that a large mortgage lender has led a cut in lending rates without a reduction in base interest rates.

There could be a further cut in base rates before Nationwide's move takes effect, with economists still believing that the chancellor will be tempted to cut rates later this spring.

UK NEWS DIGEST

'Backtracking' angers brokers

The London Stock Exchange is being accused of backtracking on a recent change to rules allowing greater transparency in share dealing.

Exchange officials have introduced a technical adjustment on share trade reporting which could negate regulations that came into force at the start of the year.

The adjustment means, for example, that marketmakers trading shares in Shell Transport - a multinational company which also has its shares dealt in New York and Amsterdam - will not have to publish details of deals for up to an hour afterwards if the individual trade is greater than 150,000 shares. This compares with an estimated average individual trade of 100,000 shares.

It will apply to other FT-SE 100 companies such as SmithKline Beecham, Enterprise Oil and Cable & Wireless and is regarded cynically by some observers as coming when many of the UK's marketmaking firms are resisting order-driven electronic trading. The stock exchange says that the change is the result of a purely mathematical calculation which occurs every quarter and has no connection with a shift towards greater transparency. *Peter John and George Graham, London*

Foreign banks look to London

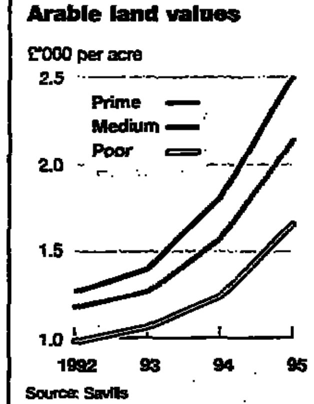
Foreign banks continued to expand into London last year, with a record 541 now maintaining branches, subsidiaries or representative offices.

According to statistics compiled by Noel Alexander, a London-based management consultant specialist in banking, 35 banks opened new offices in London last year.

They include four Russian banks, which have all opened representative offices, and four more from the US.

At the same time, 15 foreign banks left London, although six of these departures were prompted by mergers of takeovers of the parent bank. Consolidation in the US and Japanese banking industries is expected to continue over the next few years, producing knock-on effects on their representation in London. *George Graham, Banking Correspondent*

Farm land prices rise



Farmers are scrambling to buy land, pushing prices back up to 1982 levels in real terms, the Royal Institution of Chartered Surveyors says in a report published today. Farm land values in the last quarter of 1995 reached an average of £5,688 a hectare, a rise of 2 per cent on the previous quarter in what is traditionally the quietest period of the year for sales. Demand more than outstripped supply, even though the amount of land sold was 54 per cent more than in the last quarter of 1994.

"Farmland coming on to the market is being snapped up by farmers as the push to maximise income during one of the most profitable phases agriculture has seen has continued into the winter," said the institution.

Arable land, which is attracting high levels of subsidies from the European Union, is proving the most popular, but demand is also high for grazing land. *Alison Maitland, London*

Mixed reasons for higher output

Poor domestic sales are expected to be lifted by exports writes **Haig Simonian**

Britain's carmakers cannot decide whether to laugh or cry. Prospects for domestic sales this year are poor, partly because of political and economic uncertainties. Big fleet discounts and lavish retail incentives will be needed to move the metal.

Yet whatever the outlook, production is rising relentlessly. Output of new cars in January soared by more than 13 per cent to the highest level since the mid-1970s.

Production jumped to 135,428 units, compared with 119,412 units in January last year. Commercial vehicle output rose by 13 per cent to 19,973, compared with 17,651 units in January last year.

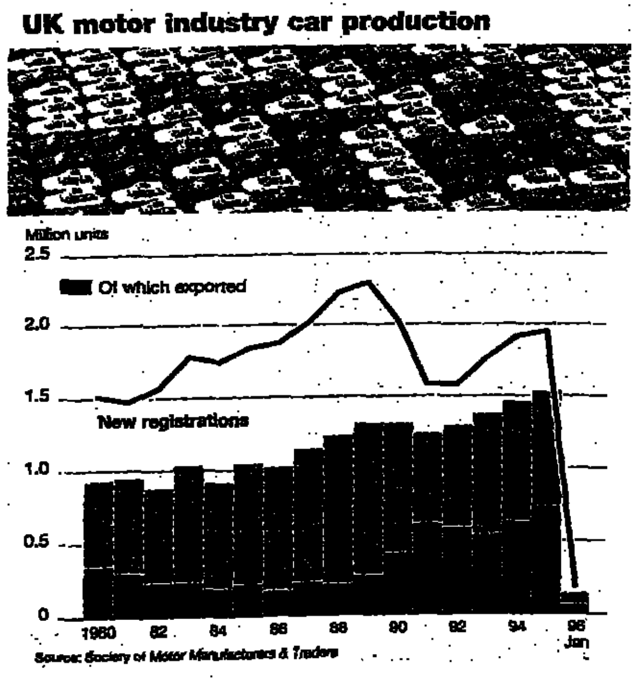
Car industry executives are at a loss to explain why production surged last month. "It's an extremely good question. We're still looking for an answer," said Mr Mike Hollingsworth, head of policy at the Society of Motor Manufacturers and Traders.

The leap has triggered speculation that carmakers may be building up stocks. That could be deliberate, in expectation of stronger demand, or because they have not yet bitten the bullet of temporary lay-offs to bring supply into line with demand.

"I don't think stock levels are that high," said Mr Hollingsworth. He doubted that manufacturers were expecting any significant rise in the market this year. The SMMT's forecast is for a modest 1.3 per cent increase to about 1.97m units.

Nor, however, does the SMMT believe carmakers are building up stocks unwillingly. Jaguar earlier this month announced a one-week stoppage to reduce stocks. Others have indicated that they may need to follow suit. Ford has said it may resort to brief short-term working at its Halewood and Southampton plants.

UK motor industry car production



Source: Society of Motor Manufacturers & Traders

The main reason for January's production surge is exports. Although foreign carmakers have captured a rising share of UK sales, car companies based in Britain have also been selling more abroad.

The main contributors to the higher output and exports have been Nissan, Toyota and Honda. The three Japanese companies now have substantial car and engine facilities in the UK. Their output has built up from scratch to about 500,000 units last year and should rise to about 650,000 by the end of 1996. Honda plans to increase output from Swindon to about 110,000 units this year and hopes to reach its 150,000 units target by the end of 1998.

The Japanese carmakers have been using their new plants to supply Britain and continental Europe. Although partly complementing models exported from Japan, much of their production has replaced cars which would in the past have been produced in Japan and which are now uneconomic because of the high yen.

Mr Ryuichi Tsukamoto, Honda's managing director of UK manufacturing, says he hopes to supply 60 per cent of Honda's UK sales with cars from its Swindon plant this year. Exports to continental Europe have also been rising steadily.

Mr Tsukamoto has also become responsible for production for sale to the Middle East and Africa recently, alongside his existing responsibilities for western and eastern Europe.

However, the Japanese are not the sole reason for the boom in UK production. After years of shifting output to continental Europe, Ford and Vauxhall are sourcing more units from the UK.

Their supply policies have been influenced by several factors, notably Britain's relatively low labour costs compared with continental Europe, and an unusually long period of labour stability.

That has helped to attract significant investment into plants that might once have appeared doomed. Vauxhall's once-troubled factory at Ellesmere Port now builds Astras for sale as Vauxhalls in the UK and as Opel in a variety of foreign markets.

Ford has decreased its UK car production in recent years, although this has been compensated by greater output of commercial vehicles. Instead, its investment has concentrated on new engines at both its giant Dagenham site and at Bridgend in Wales.

Last year, however, Mazda, in which Ford has a 25 per cent stake, selected Dagenham to build its new 121 model for sale in Europe. The fact that Mazda opted for the UK was a further sign of the attractions the country now has as a manufacturing base and the likely increase in car production that will imply.

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We are now seeking an experienced IT contracts professional to take a leading role in the review. You will have responsibility for the definition and application of all aspects of PFI policy in relation to this and other IT projects, specification of the Prison Service's long term requirements, evaluate proposals and lead the negotiation of contracts.

Your track record should demonstrate a wide knowledge of IT systems specification, development, procurement and operation, together with exposure to Government policy and administration issues, particularly PFI, market testing, contracting out and privatisation. Knowledge of formal project management techniques, particularly PRINCE, is essential, as are excellent communication and management skills. This position will involve considerable travel across the UK and you should, therefore, have a clean driving licence.

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For an application form and information pack, please contact Siân Evans, Recruitment Services, HM Prison Service, Room 425, Cleland House, Page Street, London SW1P 4LN. Tel: 0171-217 6483 (office hours) and 0171-217 6357 (24 hour answerphone). Fax: 0171-217 6612. The closing date for receipt of completed applications is 8 March 1996.

Applications are invited from candidates regardless of ethnic origin, religious belief, gender, sexual orientation or disability.

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General Manager, Information Systems

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- to develop and maintain the overall Swire Beverages information architecture
- to define and promulgate throughout Swire Beverages system development, technology platform, network and operational standards
- to liaise with Swire Beverages' operating units so as to understand the business requirements and to maintain a central database of system developments
- to monitor technological developments and provide advice thereon to management and operating units
- to liaise with The Coca-Cola Company over IT related issues

Candidates should have:

- a University degree in a related discipline or equivalent qualification
- 10 to 15 years experience in the IT field, of which at least the last 5 years should have been spent in a managerial capacity
- excellent interpersonal and communication skills to deal effectively with users, management and fellow professionals
- a demonstrable understanding of importance of standards and controls in the IT field
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RECRUITMENT

JOBS: North American companies are facing new challenges with their latest crop of graduates

Polished skills out in the field

Some years ago an experienced recruiter in the UK armed services told me how his most successful recruit had managed only a third-class degree in computers. The student had spent most of his time "playing" at making his own programs.

In this case, the recruiter backed a hunch, but some US companies, particularly in the computer sector, deliberately go out of their way to recruit college drop-outs. Michael Dell, founder of Dell computers and Bill Gates, the co-founder of Microsoft, were both drop-outs and neither of them have forgotten this when looking for new recruits.

The unconventional approaches of Microsoft and Dell are highlighted in a comprehensive study of graduate recruitment practices among north American employers. The study, carried out by Yellowbrick, a Glasgow-based consultancy, looked at graduate recruitment among 21 US and Canadian employers.

Graduate recruitment in some of the top north American companies is becoming increasingly focused and sophisticated. Graduates are also changing, taking a more entrepreneurial stance, often opting for smaller companies where their jobs might have the opportunity to grow with the business.

The trend is beginning to show up in research. Six years ago, a quarter of new MBAs from New York's Colombia University joined large manufacturers. By 1994 the proportion was down to 13 per cent.

Some bigger companies are responding to this trend by adopting small-company values: shedding bureaucracy, dress codes and rules, providing variety in job content and opportunities for early responsibility. They are also providing regular input to and from senior executives.

The top graduates are becoming more selective over their applications, doing their homework and researching target companies. "In this environment, the glossy recruitment brochure – often emphasised in the UK – has a rather limited role to play," says the Yellowbrick study.

Colin Graham, chief executive of Yellowbrick, says that more than 80 per cent of the graduates interviewed for the report were using the Internet to find information about potential employers. Many were also questioning former students about their experiences in specific companies.

The top three factors influencing graduate decisions were company reputation, range of opportunities and the training programme.

Businesses were also becoming more selective. EDS, the computer systems specialist, refocused its recruitment efforts nearly four years ago. At the time it was searching across 600 universities. It narrowed down the field, using a scoring system based on criteria identified by managers. The criteria included past recruiting success, retention of students, ratings by various guides, the percentage of minority students enrolled at a campus and the cost of recruitment.

Just 34 target universities emerged from the exercise, and each was allocated a "campus relations officer" whose first job was to seek out the most influential individual at the university. The officer would then work on educating the students about the company. Financial contributions, scholarships, running campus events and teaching in classes alongside professors all helped to make the company's presence felt.

Some businesses spoke of selected universities or courses as if they were a private treasure trove. A recruitment manager at Price Waterhouse, the accountancy firm, said: "If you can identify the school or the programme that isn't known nationally but the students that are coming out of there are doing very well with us, that's where we want to focus our money."

Other employers have favoured hunting grounds in certain specialisations. Harvard is prized for general management, while Kellogg School at Northwestern University has a reputation in marketing.

Recruitment tactics in the US are also changing. Some companies are moving to "just in time" recruitment of graduates to meet immediate staffing needs and to cut down recruitment time and costs. They are also working on their "campus image", improving the way that they are perceived by providing good quality summer jobs or projects, inviting student groups into the company to see how it works and asking recent recruits to make presentations back at their old campus.

Students have become clued up about the implications of corporate re-engineering and are beginning to look at what a job will offer them in terms of career development over two or three years. The report identified a "three year itch" among graduate recruits when they often reassessed their careers. Companies needed to talk to young employees about future options at this stage before they looked elsewhere, says Graham.

Job security remains an issue among graduates. Many are rebelling against increased work expectations, and are talking, instead, about lifestyles. A manager in the Royal Bank of Canada said: "They're not interested in working a 60-hour week because they've seen their parents or whoever else working that and being chewed up and spat out in the last recession or through downsizing."

The report also looked at MBA graduates, weighting their greater experience and ability to quickly meet the demands of the job against the greater cost of recruiting them and their tendency to move on. It quoted a study of the class of 1974 Harvard MBAs over 20 years which found that, on average, they stayed in their first position for 18 months and with their first employer an average of three-and-a-half years. Many MBA graduates interviewed said they wanted to run their own business in the medium to longer term. "The value of MBAs, therefore, continues to be a hot source of debate," says Graham.

The report, Delivering the Promise, is published by Yellowbrick Training & Development, 11 Lynedoch Crescent, Glasgow G3 6EQ, tel 0141 332 3500, £295.

How do you monitor the quality of service in an industry when the client who pays for the product is not the consumer? This is a problem for companies seeking to buy outplacement services for employees they are making redundant.

Working Transitions, a Northampton-based human resource consultancy which surveyed more than 700 people who had been made redundant in the financial services sector, found big variations in the levels of satisfaction with different outplacement providers.

The survey also highlighted what people valued most from outplacement. Some 57 per cent of the sample sought assistance with compiling their CVs but little more than a third opted for personal counselling.

This lack of take-up is significant, says Jim Horsted, director of Working Transitions, because companies pay an outplacement fee which assumes that people will use the full service provided.

Jane Bunce, a chartered surveyor who lost her middle management job with the Inland Revenue Valuation Office, was given 20 days outplacement but abandoned the course after two days in the belief she was not getting much out of it. She recalls: "They had good facilities in terms of IT resources and access to job advertisements, but I think you were very much left to get on with it yourself." Nor was there any feedback or contact from her former employers to check how effective the outplacement had been.

Horsted says this experience was typical of many in the survey, and organisations "should insist on a metered approach, only paying for the services when they are actually used".

"At present companies are paying considerable sums of money and are unable to check the effectiveness of what they are providing to ex-employees. Choosing an outplacement provider is a difficult task without comparative data."

Richard Donkin

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The Government Private Finance Initiative offers the Post Office the opportunity to expand its capital programme and seek innovative financial solutions to both its proposed major investments and new commercial opportunities for the businesses - Royal Mail, Post Office Counters and Parcelforce. Reporting to the Head of Investment Appraisal, the successful applicant will be experienced in investment appraisal, risk transfer evaluation, financial modelling, project finance and contract negotiation, and proven experience in project finance, management consultancy, corporate treasury and/or accountancy. Strong analytical ability and experience of completing financial transactions are essential, and candidates must be comfortable with handling high level discussions with Government, external advisors and commercial partners/service providers. **Applications in strict confidence under the reference IAM5380/FT to the Managing Director, CJA. Closing Date, 5th March.**

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We invite applications from graduates, probably aged 30-40 and professionally qualified, who need to be both numerate and literate. You are likely to have had at least 2 years' experience at a senior level ideally, but not essentially, with a US organisation in the financial sector. Spanish and/or French language skills are highly desirable. The increasing demands on the CEO's work schedule worldwide, particularly in the breaking of new ground in emerging markets, has created the need for an exceptional individual to work alongside him: proactively focusing him towards the key issues; communicating his vision both verbally and through the creative writing of speeches and marketing communications; following up business leads and joint venture opportunities as well as driving forward quality standards throughout the group. Essential qualities are a sharp intuitive business mind, judgement and above all the ability to 'make things happen' in a timely and profitable manner. Initial salary negotiable £40,000 - £50,000 + performance related bonus, contributory pension, life assurance and medical schemes. **Applications in strict confidence under reference EA5381/FT to the Managing Director: CJA.**

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As part of the Sales Support Team in Global Cash Management, you will be required to liaise with clients to determine hardware status, demonstrate the various product capabilities and provide software installation and maintenance to existing customers. The ideal candidate will be familiar with IBM PCs communications software and MS DOS and be mobile as the job will require a large amount of European Travel.

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ITALIAN SPEAKING C£35K + BKG PKG

Prestigious European Bank have an existing opening for a qualified Accountant. Ideally you will have a banking/derivatives background and be ready for your first managerial role. Marvellous opportunity!

CREDIT ANALYST
FLUENT GERMAN £AAE + BKG PKG

Leading European Bank is currently seeking an Analyst with min. 2 yrs exp. with a Bank/Fin Institution. Responsibilities will include credit analysis of both Corporates & FIs and country and sector analyses. Involved role with lots of responsibility!

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FLUENT GREEK £AAE + BKG PGKG

For this position, the candidate is required to have outstanding sales experience in particular over the telephone and ideally within Financial Services. Those who are SFA qualified have a distinct advantage. Responsibilities involve selling Offshore Banking Services to the Greek Market and relationship management.

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Excellent opening for graduate with minimum 1 years experience within a trading room environment preferably within Fixed Income. You will be working closely alongside the Swaps Marketing Desk dealing in the German Markets. An existing role for someone who enjoys working in a hectic environment and who is able to operate to tight deadlines!

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Positions

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Contact

Please reply with full resume to: Keith Rudderham,
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You must have an outstanding academic record with a first degree in a relevant subject. An MBA or equivalent is essential for Associate positions and preferable for Analyst positions.

If you have the necessary skills and experience, please send a full CV which will be forwarded to our client unopened. Address to the Security Manager if listing companies to which it should not be sent. Write to Rebecca Payne, PA Advertising Limited, Number Two Caxton Street, London SW1H 0QE, quoting Ref: H123/FT on the envelope.

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SENIOR TREASURY OFFICER (Funding)
(Ref. No. 96 - 06)

The incumbent, who will report to the Assistant Treasurer, Funding Division, will be responsible for assisting in the management of the Bank's annual funding operations in global and regional markets as well as assisting with the strategies in managing the Bank's outstanding liability and swap portfolios. He/She will also be responsible for transactions which involve interest rate and currency liability swaps and other derivative and risk management features. In addition, the incumbent is expected to participate in missions to market the Bank's AAA credit to investors, press and rating agencies as well as to respond to, and anticipate, rapid market developments, new evolving trends and innovations in financial technology. He/She is also expected to possess understanding and/or extensive experience in: the structure and functioning of major capital markets (cash and derivatives); underwriting, distribution and trading of fixed income securities in major capital markets; treasury risk management concepts; investment practices and assets preferences of institutional investors and fund managers; and concepts of financial mathematics as well as familiarity with modern information technology applications.

TREASURY OFFICER (Financial Policy)
(Ref. No. 96 - 07)

The incumbent will (i) undertake analyses and research relating to the Bank's financial policies and projections, as well as studies on alternative financial policy options and their implications; (ii) prepare or participate in the preparation of papers and studies on financial policy questions relating to both ordinary and special operations of the Bank; and (iii) design and develop new loan products together with the necessary risk management strategy.

The successful candidate should have a University degree in Accounting, Banking or Finance. A postgraduate qualification in any of those disciplines or in Business Administration would be an advantage. The candidate must have at least three years of work experience in financial planning and accounting. The candidate must be highly self-motivated and must demonstrate a high degree of quantitative skills as evidenced by previous work and/or academic related experience and achievements. An adequate knowledge of relevant computer techniques would be desirable.

For the above positions, proficiency in written and spoken English is essential, whereas work experience in the Asian-Pacific region would be desirable. **Women are particularly encouraged to apply.**

The Bank offers a competitive salary paid in U.S. dollars (generally free of tax except for some individuals, primarily nationals of the U.S. and the Philippines whose incomes are taxed by their respective governments) and an excellent benefits package tailored to the needs of those living outside their home country.

Interested persons may either send their curriculum vitae to **HUMAN RESOURCES DIVISION, ASIAN DEVELOPMENT BANK, P. O. BOX 789, 0980 MANILA, PHILIPPINES**, or alternatively, fax directly to (63-2) 636-2550 / (632) 636-2444 not later than *6 March 1996.*

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ACCOUNTANCY APPOINTMENTS

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Financial Controller

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About Us

We are a lively and successful management company in the music and entertainment business. With a small team based in West London, we look after the professional activities of entertainers within the music business, including much of their financial affairs.

The role

This involves heading up our accounting team to ensure effective financial management throughout the group, providing financial management reports to help us run our business effectively. There will be particular emphasis on cash flow management and personal tax initiatives and effective handling of royalty accounts. Financial forecasting will also be an important part of your role as will effective monitoring of contract payments.

Your experience

This is a professional accounting role and you will need to be a qualified accountant (probably Chartered) with at least 5-10 years post qualifying experience. You will have in depth experience of commercial accounting, including statutory accounts and personal taxation and staff management. The ideal candidate will also have an understanding of royalty accounting, although if you have all the other qualities, this is not absolutely essential.

Your other qualities

Experience apart, you must have a lively, but diplomatic personality – you will be dealing with a variety of people and personalities. You will be confident, robust and tenacious. You should be motivated towards making things work better and take a pride in your work.

Interested?

If you feel you are ready to take on a fascinating and exciting role at the heart of the entertainment world, please write to Maggie Hennessy, quoting reference B/1628 with your CV and telling us a bit more about you as a person and why you feel you match this requirement.

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Finance Director

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Our task and principles

As a major supplier of goods and services throughout the world, we combine commercialism with the principles of transparency. We provide a range of services to many overseas countries from procurement to distribution and from training to investment management. Our reputation for integrity is vital.

The role

Working closely with the Managing Director and other Board members and senior management, you will head up a small team responsible for financial management and control throughout the organisation. From statutory accounting through to management reporting and taxation, you will ensure our accounting withstands all external scrutiny.

What we seek in you

We are seeking a qualified accountant, who has already reached a senior level in financial management within a major organisation with experience of both project accounting and cash flow management. You will need to have proven experience of developing and coordinating effective and controlled financial and management information systems, including using computer technology for modelling and information needs. A record of successful management and development of staff is essential. It would be helpful if you have experience of freight forwarding or logistics management and international experience and may have worked overseas in the past. Experience of governments and international development agencies would be an advantage.

Providing you have all the experience and qualities we seek, we will not be discriminating against those who are more mature. However, we are demanding energy and commitment and you must be adaptable. You will be dealing with a wide variety of people and will need excellent communication skills to do this effectively.

The next step

If you feel you have the experience and qualities we seek, write to our advising consultant David Hunter, quoting reference L/1631, with your CV and tell us why you believe you are the person we seek.

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Finance Team Leader - SCALA Implementation

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THE COMPANY

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THE ROLE

Leading a highly motivated and qualified team of SCALA finance and IT specialists, you will manage the implementation of the multi-site project across the vast majority of SCALA modules available. Preferably you will be a qualified accountant with a minimum of 5 years experience with sound Western GAAP and ideally Russian accounting knowledge. This experience will be combined with a solid understanding of commercial information the system is designed to access.

THE PERSON

With an unlimited "ideas and solutions" oriented approach and the drive to get projects completed above expectations, you will be a catalyst to motivate and guide others. Career development for the highest calibre employees is assured.

Please send a full resumé with covering letter quoting ref: FT10196 to:
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Over our 18 year history, we have recorded 50% annual growth, and are determined to "manage" future growth at 25-30% pa which should take current revenues of $400m to $1bn by the year 2001, through both organic growth and periodic acquisition. A particular aspect of that growth has been our service to international clients, especially in Europe – hence the creation of this new role.

The rapid growth of the Company and the expansion of our European Operations now demands the need for a streetwise and experienced International Tax Specialist with exceptional commercial acumen. Reporting directly to the Worldwide Director of Taxes in the US, the role will also have a dual reporting line to the European Director of Finance and be based in the UK along the M40.

Key responsibilities will be:

- Compliance – timely tax compliance for our European operations, management of tax audits, implementation of tax reporting and accounting procedures, and management of outsourced tax advisers as appropriate
- Operational Decision Support – to European Management team
- Planning – participate in development of global tax strategy and ensure that operational planning fits/supports that strategy

Essential requirements are excellent communication skills; the ability to articulate issues and options rather than problems; and a sleeves up approach to problem solving and local tax compliance.

Our corporate goals are to maximise customer satisfaction, make a fair profit and have a heart for our employees. To that end, we have a strong and distinctive culture which we wish to maintain, and a single minded commitment to customer satisfaction across all areas of our business. Working in small groups, the role demands flexibility and teamwork, and liaising across departmental boundaries. Being part of a winning team will be more important than job titles and corporate politics.

Ideally, with a big 6 background, you are a senior International Manager or may have already made the first move to a corporate role, preferably in the Software/IT industry.

If you think that you can identify with this kind of environment and have the necessary skills and experience to make a telling impact in this role, please write with full details and in total confidentiality to Hamish Davidson, quoting ref H/1627.

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Business Controller

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Reporting directly to the Business General Manager, you will assume full responsibility for all financial and management reporting and the further development of management information systems and controls. You will be a key member of the management team and will be expected to provide advice on global business strategy and commercial direction, as well as strong financial leadership throughout the business, which has major locations in the Netherlands, US, UK, Spain and Singapore.

Candidates, probably aged early to mid 30s, will be graduate qualified accountants who can demonstrate a high degree of commercial acumen, gained preferably in an industrial sector, along with strong technical ability. In addition, you will need to show evidence of an international outlook and an innovative approach, coupled with the interpersonal skills and maturity to make a significant contribution to the future success of the business.

This role is perceived as a significant career opportunity and the successful candidate will have access to the wide career development options available across the Zeneca Group.

Interested candidates should send a comprehensive curriculum vitae to: John Phillips ACA at Michael Page, Clarendon House, 81 Mosley Street, Manchester M2 3LQ or by fax on 0161 236 6961, quoting reference number 272793.

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FINANCIAL CONTROLLER

Paris

This leading logistics company is part of a major UK Plc and is at the forefront of the distribution industry in Europe. Utilising advanced systems provided by an in-house computer software company, they are well poised to exploit their prime position by further acquisitions and organic growth. Employing over 1600 employees throughout France their clients include some of the most prestigious international and European companies.

The Opportunity

In this new position you will work closely with the General Manager of the largest of the two operating divisions providing commercial and financial advice to the profit responsible managers. Your input on budget preparation, variance analysis and profit forecasts will be invaluable in identifying commercial trends and further strengthening the company's leading position. Travelling extensively throughout France you will be seen by the managers in providing added value to the organisation in the provision of valuable management information.

[illegible]

Your Future

Fluent in French and English, you will have at least five years' commercial experience in a leading international company. You will demonstrate maturity together with an innovative approach to problem solving and be able to quickly gain the respect of the management team. Previous exposure to the distribution/logistics sector will be an added bonus. Relocation package available together with a generous bonus scheme.

Interested candidates should forward a detailed CV in English together with a covering letter demonstrating how you meet the above criteria to Neil Holmes, at Hays Executive, 141 Moorgate, London, England, EC2M 6TX. Tel: (44) 171 256 5849. Fax: (44) 171 638 7509.

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- Regular analyses of Customer and Product productivity
- Weekly estimated profit reporting
- Appraisal of Capital investment decisions and commercial development proposals including Pricing, Advertising and Discounting
- Development and Provision of accurate monthly management and financial information.

Finance & Planning Controller (Ref. 2671)

To £55,000 + Quality Car + Executive Benefits

In this role, you would lead the development of forecasting, planning and accounting systems and procedures that meet the needs of the business. Specifically, this will include:

- Leadership and motivation of a Central Finance team of 15, whose responsibilities include the monthly consolidation of Unit results
- Review of actual performance to ensure that key variances are identified and appropriate action plans in place
- Driving the planning process including top quality presentations to senior management
- Supervising the finance team which supports the Sales Force
- Driving the process to ensure delivery of projected profits.

GROUP FINANCIAL DIRECTOR

Entrepreneur, Diplomat

A Most Rewarding Role

I suppose consultants shouldn't have favourite clients, but if I did, this is probably it. It's a medium-sized group, about £400m turnover, made up of four individual businesses. Although there's a common thread, engineered products, there is in fact little overlap between them. The one thing they *have* shared is that they are only now clawing their way out of a coincident and painful downturn and restructuring of their key markets. Historically and potentially very profitable, recent times have been the sort that concentrate the mind most wonderfully.

It needs a Group FD with an unusual blend of experience and abilities. An ideal CV might combine experience in one of the class-act sectors, such as the motor industry or retailing, with the difficult realities of the world of complex capital goods. However, the key will be the ability to give serious added value to the efforts of the management teams of the four businesses, so that the group role is seen as a constructive addition rather than a dead hand. The whole group is going through the most profound reshaping in its history, and the culture has only partly taken that on board, so there's a great deal of 'non job description' contribution in support of that process.

Hence the diplomat. Hence the entrepreneur. Why 'favourite'? Because it would be hard to combine more *interesting* businesses, with so much to be done, and the scope and main board support to do it.

Do write to me, Gerry Sarson, if this might appeal to you.

GSE Executive Search & Selection, The Manor, Haseley, Warwick CV35 7LS.

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The position requires varied skills in all phases of management consultancy. You must to a self starter, able to identify and develop opportunities and manage multi disciplinary resources. You must have excellent communication skills and an eye for detail. Adaptability and determination are prerequisites.

Experience in any of the following would be of particular interest: **commercial banking; development of enterprise support services; small business consultancy; and management and human resource development.**

We would also like to hear from **independent enterprise development and banking specialists** interested in working on short, medium and long-term overseas assignments. Experience gained in Central and Eastern Europe, Russia and the Newly Independent States would be advantageous.

Please reply in confidence, sending your CV to Bob Fitch at:

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United Kingdom
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Initial interviews will be held in London and in cities throughout the Asia Pacific region. Interested candidates should write with full CV, quoting current rewards package, to Richard Roberts, at either of the addresses shown, quoting the appropriate reference number and stating the preferred interview location.

BUSINESS DEVELOPMENT DIRECTORS

With primary responsibility for securing market entry opportunities and for developing comprehensive solutions for new projects, including appropriate financial input, you will:

- build effective senior level relationships with potential clients and partners, to:
- acquire knowledge and awareness of needs, trends and project opportunities, which will help you:
- position PGI as preferred developer or partner, and:
- negotiate and deliver complete power solutions.

You will therefore have considerable experience of business development in this sector or another which is equally complex. Your market knowledge and contact base means you will be able to show a significant record of success in winning high value projects. There are three posts covering South East Asia (ref: 11513), Australasia (ref: 11514) and East Asia (ref: 11516), so please make sure you specify which you are applying for.

REGIONAL FINANCIAL CONTROLLER

With overall responsibility for the KL-based regional finance function, your key role is to provide timely, meaningful analysis, advice and support to regional and central management. In particular, you will:

- prepare business plans and budgets, reporting and monitoring subsequent performance;
- evaluate investments, with complex financial models and sensitivities, for regional approval of projects;
- ensure tight regional financial controls, including treasury, tax and foreign exchange, for operations and for investment activities.

A qualified accountant, preferably ACA/CA, who has worked internationally, you are familiar with project finance criteria for large capital projects and with the detail of the financial modelling and subsequent loan administration to manage them. Confident of your own abilities, strongly proactive and entrepreneurial, you will lead a multicultural team covering both the financial analysis and accounting functions, operating under very tight time constraints. (ref: 15412)

Hoggett Bowers
EXECUTIVE SEARCH & SELECTION

7-9 Bream's Buildings, Chancery Lane, London EC4A 1DY. Tel: 0171 430 9000. Fax: 0171 405 5995 or Skiltek Business Centre, 545 Orchard Road, #15 - 02/04 Far East Shopping Centre, Singapore [illegible]

THE PSD GROUP

Financial Controller

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THE COMPANY

- £8m turnover, autonomous unit within leading UK multinational industrial group.
- Manufacturer of advanced electronic and engineering products with outstanding profit performance.
- Established reputation for product excellence and innovation. Blue chip customer base.

THE POSITION

- Reports to MD. Integral part of senior business management team.
- Preparation of budgets, forecasts and strategy plans. Monthly management accounts, statutory reporting, costing and bid/tender reviews.
- Responsible for the development and maintenance of integrated IT systems throughout the site.

QUALIFICATIONS

- Qualified accountant, aged 25–32, preferably with previous manufacturing experience, ideally in electronics or engineering. Second European language would be an advantage.
- Must have good knowledge of job costing and excellent computer literacy. Previous exposure to corporate reporting would be an advantage.
- Self-starter, team player and good manager. Potential to develop and drive to take on opportunities either in UK or internationally.

Please send full cv, stating salary, ref LG60206, to NBS, 54 Jermyn Street, London SW1Y 6LX

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EMPLOYERS REASSURANCE INTERNATIONAL LIMITED

THE PROPERTY MARKET

Swedes stick with London

Simon London on a new wave of Scandinavian investment

Swedish investors featured prominently throughout Europe in the run-up to the last property crash. Deregulation allowed banks and insurance companies to invest outside Sweden for the first time in 1988: fund mangers made full use of their freedom, often with disastrous consequences.

But while the Swedes lost billions of kroner in property over the past eight years, they have not retreated to the relative security of Stockholm.

Skandia, the largest Scandinavian insurer, this week announced the acquisition of two adjacent buildings in Hanover Square, in London's West End, for £21.3m ($32.9m).

More importantly, the deal leaves the way open for a possible £60m to £70m redevelopment of the site to create a new 100,000 sq ft building.

Last month, AP Fonden, the Swedish national pension fund, acquired 6-7 Clifford Street, also in the West End, and will finance a substantial office development by Pillar, the UK property company.

The fund, which last year paid £76.8m for Milton Gate, a City office block, says that it still has an appetite for central London property investments.

The deal which typified the first wave of Swedish investment was the acquisition in 1990 of London & Edinburgh Trust for £491m by SPP.

The Swedish insurer paid heavily for its poor sense of timing, culminating in LET's £400m loss in 1992. But the most prominent sites in the old LET development portfolio are now coming back to life.

SPP Investment Management, as LET is now known, is part of the consortium developing Spitalfields, the large site on the northern fringe of the City of London.

In Birmingham, SPP is pressing ahead with plans to redevelop the Bull Ring, in what could be one of the UK's largest retail property schemes.

But while the cast is familiar, the investment style has changed. Joint ventures and risk-sharing are favoured over the bold acquisition-led strategies of the 1980s.

SPP has indicated that it is likely to approach the Bull Ring scheme in a joint venture, probably with Hammerson, the large UK property company. Talks between the two sides, which started last summer, are at an advanced stage.

AP Fonden's deal with Pillar in Clifford Street is another example of risk-sharing.

Arcona, the Swedish property and construction company, is also active in the West End, developing buildings through joint ventures with UK institutional investors.

The rationale for Sweden's insurance companies investing abroad has also changed, says Mr Matthew Bolton, managing director of Skandia's UK property arm.

During the first wave of investment Skandia, in common with most other large insurers, invested a large proportion of its shareholders' funds in property. The hope was that above-average investment returns would boost the performance of the shares.

Today, property investments are being made mainly to match long-term liabilities arising from life insurance policies sold in Sweden and overseas. Investment objectives have swung in favour of long-term gains.

Skandia plans a thorough overhaul of its UK property portfolio in the next few years to reflect these objectives. Many of its existing properties, attributable to shareholders, are likely to be sold.

The Sheraton Skyline Hotel near Heathrow Airport, was sold to ITT Sheraton at the end of last year for £36m. Skandia's biggest investment, the 100,000 sq ft office building at 1-4 Cockspur Street, close to Trafalgar Square, will probably go the same way.

But Skandia is keen to invest more of its policyholders' cash in international property. The Hanover Square acquisitions are the first stage of this process. A further £100m is likely to find its way into the UK property market over the next two to three years.

Not all Swedish property owners are still buying. Securum, the state-backed holding company set up in 1992 to buy the distressed assets of Nordbanken, is gradually liquidating its property holdings.

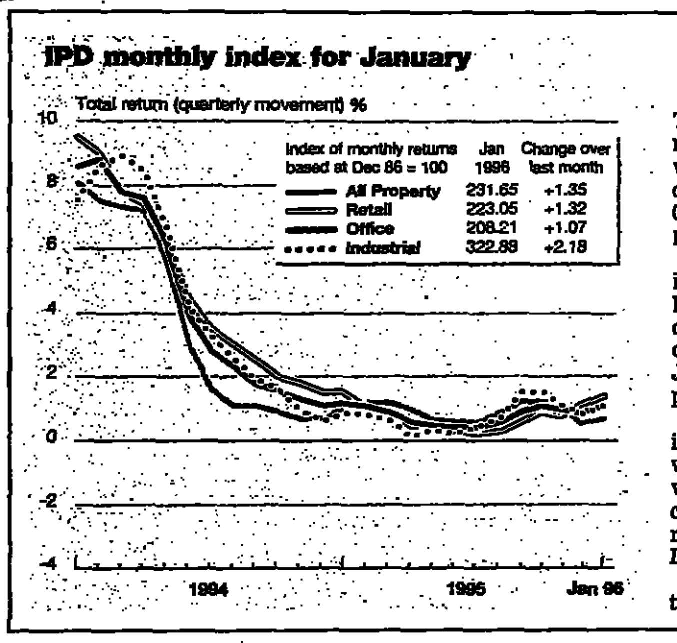
This week Securum sold a retail and office building at 32-33 Old Bond Street to a German investor for £13m. It also announced its intention to sell its 100,000 sq ft Friars bridge office complex, close to Blackfriars bridge, and hopes to raise £33m from the disposal.

Other assets such as the futuristic Ark building in Hammersmith, west London, which was recently let to Seagram, the Canadian drinks and media group, will also be sold over time.

But Securum is different from other Nordic property owners. Its role was always to extract value from assets and pay back as much as possible to Swedish taxpayers.

The London market, in particular, should be thankful that long-term Swedish investors did not abandon international property altogether after their painful first few years.

With many UK funds increasingly disillusioned with bricks and mortar, the market needs all the participants it can get.



Good start to year

This year has started on a more positive note than 1995, with the IPD all property rate of total return increasing from 0.3 per cent in December to 0.6 per cent in January.

The gradual outward drift in property yields appears to be slowing. In consequence, capital values declined by only 0.1 per cent in January, against a fall of 0.4 per cent the previous month.

The most marked reduction in the rate of capital decline was in the office sector, with values falling by 0.2 per cent compared with a retreat of 0.8 per cent in December.

Rental value growth across the market has once again turned positive, to 0.1 per cent in January, after the slight downward blip at the end of 1995.

However, the improvement in last month's figures had made little impact on the longer term performance.

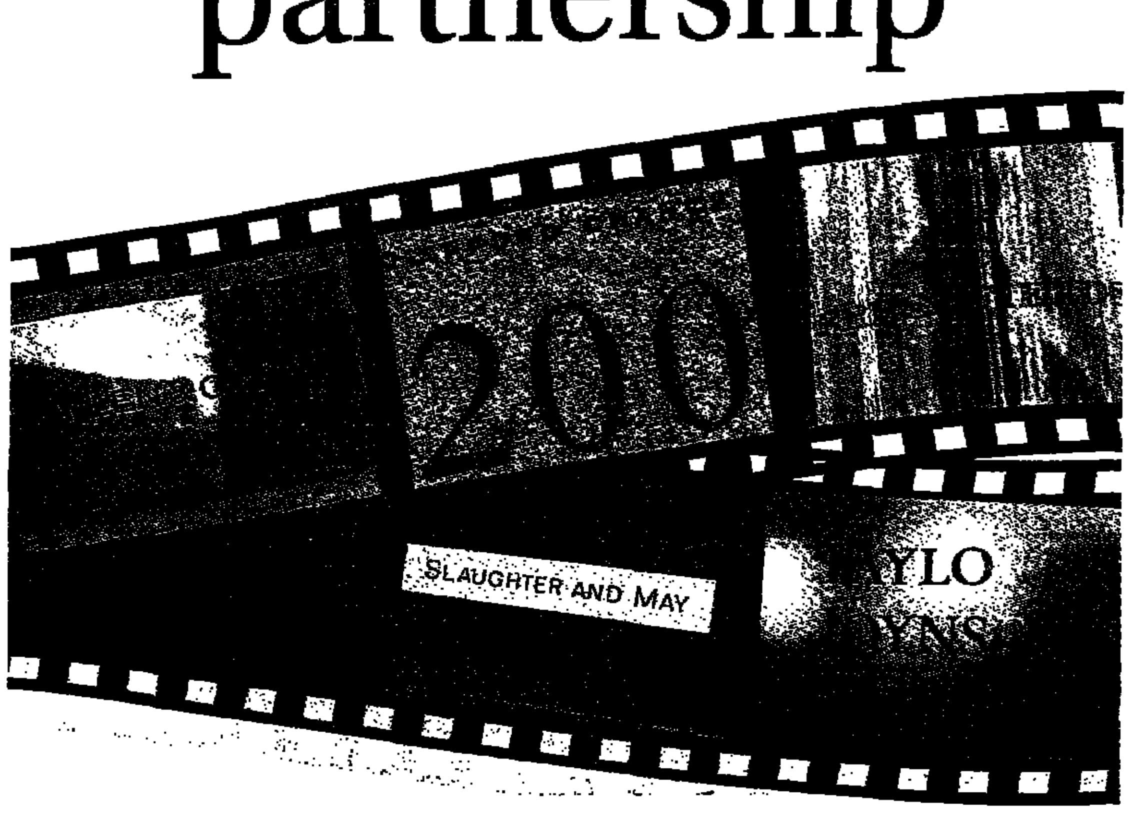
The total return for the 12 months to January remained unchanged on December at 3.2 per cent. The year-on-year rate of capital growth has also remained unchanged at minus 4.7 per cent.

Rental value growth improved slightly, recording minus 0.2 per cent for the 12 months to January, against minus 0.3 per cent for the period to December.

MANAGEMENT

London law firms may have to restructure if they want to hang on to their rising stars, says **Robert Rice**

The pitfalls of partnership



It is still fashionable in legal circles to talk about City of London law firms as being unmanageable and to blame the partnership structure.

"It's a bit like trying to run a PLC with all the shareholders standing in your office," says Geoffrey Howe, managing partner of Clifford Chance, the UK's largest law partnership.

While the continuing commitment of the leading firms to the partnership ideal contradicts such statements, they are not made entirely in jest.

Back in the mid-1960s when the maximum number of partners was limited by legislation to 20, management by consensus was still practicable. But as law firms began to grow dramatically in the 1970s and 1980s and competition increased, the weaknesses of partnership – conservatism, slowness of response and decision taking – forced them to adopt corporate management systems within the partnership structure.

"It became necessary to effectively disenfranchise partners on management decisions," says Bill Tudor John, senior partner of Allen & Overy. "Management by committee had become unworkable."

Most firms agree that there is no right or wrong way of managing law firms. But a pattern has emerged.

The partnership as a whole remains the supreme decision taking body, but the issues on which all partners must vote have been substantially reduced. Partnership votes tend to be confined to the election of new partners, profit share and changes to the partnership deed, although some firms still require a full vote on significant capital expenditure such as new premises or the opening of overseas offices.

Below the partners is the partnership board or council usually chaired by the senior partner, with the managing partner taking the chief executive or managing director role. Other members of the board are elected from the partnership to represent different areas of the practice. Partnership boards concentrate on strategy, finances and the big picture.

Executive management has devolved to the managing partner assisted by outsiders brought in to perform specific tasks. Most firms employ an accountant as finance director and non-lawyer experts in personnel, administration, marketing, information technology and training. Responsibility for practice management or client care falls on the various different practice groups or departments within which partners enjoy considerable autonomy. Within this broad framework there are differences of approach, however.

At Taylor Joynson Garrett, a 65-partner City firm, extraordinary power is given to the managing partner, Richard Marsh, who presides over a small executive board of just seven.

He receives little formal help from the senior partner who has no executive role and does not even sit on the board. "He's a sort of elder statesman, that's all," says Marsh, who, referring to his own position, admits that to the outsider it might seem "odd to appoint someone who has spent the last 20 years as a litigator as chief executive of a large organisation with little or no training for the job".

At Freshfields the partnership council is unique in including two non-lawyer outsiders as non-executive members. At present the non-executives are Brandon Gough, former senior partner of accountants Coopers & Lybrand, and Herbert Jacobi, chairman of Trinkaus & Burkhardt, the German investment bank. According to John Grieves, Freshfields' outgoing senior partner, their role is to add the outsider's perspective by challenging internal thinking and "give us the benefit of their experience in other businesses".

Freshfields' current structure is also about to change with the election of Anthony Salz as Grieves' successor. Salz's desire to carry on practising rather than moving full time into management has forced the firm to split the senior partner's current role as chairman and chief executive.

Some question whether Salz can successfully combine the two. Edward Walker-Arnott had similar aspirations when he was elected senior partner of Herbert Smith. He told his partners he would only do the job if he could continue to devote 70 per cent of his time to clients. In reality he has rarely managed more than 55-60 per cent.

Among the others, Slaughter and May – with its commitment to keeping partners informed and allowing them a say at every turn – epitomises the old-fashioned approach to partnership, and Allen & Overy and Clifford Chance are closest to the corporate model.

Judging by the financial success enjoyed by these firms even through the recession with revenues above £1m per partner and average profits per partner close to £400,000, their continued faith in the partnership model seems justified.

Giles Henderson, senior partner of Slaughter and May, believes it works because it not only gives partners a financial interest in the business it allows them to have an element of control over the way it is run as well.

But not everyone is convinced. Maurice Allen, a former Clifford Chance partner now running the London office of US law firm Weil Gotshal & Manges, believes most City law firms are very poorly managed. They make money despite themselves, he says, and because they do not really compete against each other ("they confer a lot") there is very little incentive to change.

Allen sees big problems ahead. The most immediate is that they have no means of meeting the expectations of their up-and-coming young lawyers. "They can't take them all into the partnership, so they are losing them and they seem to accept that, which is astonishing."

To keep them they must motivate them and the only way to do that is to change their structures, he says. "If you can't make them all partners then you've got to change their role and give them a stake."

Weil Gotshal plans to pay its young lawyers bonuses related to the financial performance of the London office.

Allen also believes the partnership structure is unsuited to the increasingly competitive legal services market. In particular the "lockstep" system which rewards partners according to seniority, capping or "locking" their earnings after 10 or 15 years, acts as a disincentive to competition.

"If you can't benefit from your own efforts the temptation is just to look out for yourself." Allen says there are too many partners just coasting in the City firms and, as partners have a job for life, this is not an easy problem to address.

Most firms do not even try. A few, such as Allen & Overy, conduct partner appraisals, but most regard it as slightly infra dig, preferring to rely on peer pressure to sort out under-performance.

Again, Allen believes the solution is to change the structure. Law firms need to adopt hierarchical structures which let natural leaders come to the fore and partners have to accept that they need to be managed, he says.

By contrast, most US law firms foster a more competitive environment by encouraging their lawyers to compete against each other for a bigger slice of the pie. Far from being divisive, as many UK firms maintain, he believes the "eat what you kill" approach benefits firms by encouraging lawyers to go out and compete for new business in the marketplace.

While City firms may disagree with his analysis there is no doubt these issues are at the forefront of their minds. "Internally the big issue is how to give young lawyers the career path they seek," says Bill Tudor John, a view with which Giles Henderson agrees.

"Keeping the firm together and keeping profits up is the real challenge," he says. "Lawyers want a healthy return for putting up with the pressure, so if profits sag, the temptation will be to go elsewhere where the comparative rewards are greater or to look for work with less pressure."

Are you a procrastinator?

Adrian Furnham offers a quiz and prospects for treatment

A colleague and I have a problem: I am a time contractor, she is a time estimator. When we agree to meet at a restaurant at 8pm, I mean 8pm exactly. She thinks 8pm is an estimated time of arrival and there is no reason for me to get upset if she arrives at 8.25pm because that's about 8pm, which was a good estimate.

I believe British Rail are time estimators, and a significant number of the travelling British public are time contractors.

But worse than the estimator is the procrastinator. For those of us who believe in time-management, meeting deadlines, on-time performance, procrastination is not just a curious and amazing habit. It is a dysfunctional aberration that ensures that procrastinators and others dependent upon them, waste time and miss opportunities.

Some see procrastination as irrational, others as immoral, and still others as pathological. All sorts of theories have been offered to account for chronic and acute procrastination. Parents have been blamed: the procrastinating adult is supposedly a victim who was plagued by over-ambitious and demanding parents. In later life, imposed deadlines lead these people to re-experience early frustrations, so they dawdle and stall, rather than attempting to meet imposed demands.

Others simply argue that in some settings, procrastination has been learnt because, paradoxically, it has been rewarded rather than punished. Some researchers have noticed that procrastinators tend to be perfectionist, rather neurotic individuals, and assume that this may be the cause.

How do you fare? Rate your *own style on the procrastination* scale. Answer each question noting whether it is true or false for you. Answer honestly, and work quickly.

1. I often say: "I'll do that tomorrow".
2. I do routine maintenance on things as often as I should.
3. I waste time on trivial matters, avoiding big decisions.
4. When planning a party, I make all my arrangements in advance.
5. I frequently *rush madly to meet* deadlines.
6. I usually pay my bills on time.
7. I really need a time-management course.
8. I generally return calls promptly.
9. I think most people who know me expect me to be late.
10. When it's time to get up, I usually get straight out of bed.
11. Frankly, I am not good at meeting deadlines.
12. I usually accomplish all the things I plan to do each day.
13. A letter may sit for days before I post it.
14. I get most important things done with time to spare.
15. I always end up buying *presents (birthdays, Christmas)* at the last minute.
16. I am prompt and on time for most appointments.

Give yourself one point for each even-numbered item you marked true, and one point for each odd-numbered item you marked false.

Score 12-16: No time-related problems, possibly impulsive.
Score 6-11: Fairly normal with a hint of sloth.
Score 1-5: A full-blown, incurable procrastinator.

But treatment may be at hand. There are not only *group-workshops*, but also individual sessions, for the procrastinator. Clinicians have found five myths used by procrastinators. These are:

- Over-estimation of the time left to perform a task.
- Under-estimation of time necessary to perform a task.
- Over-estimation of future motivational states. This is typified by statements such as "I'll feel *more like doing it later*".
- Reliance on the necessity of emotional congruence to succeed in a task. Typical is a statement such as "People should only study when they feel good about it".
- Belief that working when not in the mood is unproductive or sub-optimal. Such beliefs are typically expressed by phrases such as "It doesn't do any good to work when you are not motivated".

ARTS

An orchestra tuned in to its public

Martin Hoyle finds public funding in harmony with private sponsorship in Stockholm

The international image of Sweden as the considerate state funder and provider of a civilised society is so entrenched that a foreigner is surprised to find cultural organisations in hot pursuit (and competition) for private sponsorship to combat spending cuts – while the complaints of low pay from Swedish musicians have a familiar ring to the British visitor. Jubilation and relief were the keynotes therefore at last Friday's announcement that the international pharmaceutical firm Astra had committed itself to long-term sponsorship with the Royal Stockholm Philharmonic Orchestra, starting with a grant of SKr5m (£500,000) for the 1996/7 season.

Based since 1926 in a beautiful Art Deco concert hall, the orchestra is "Royal" almost by default. The title was granted for the duration of a foreign tour as an allusion to the hall as venue of the Nobel prize-giving. By one of those calculated oversights, the orchestra omitted to drop the title for some months after their return to Stockholm; and on hearing their eventual confession the easy-going and popular king decided that as a constitutional monarch he should let them keep it. Thus did the Philharmonic become Royal.

Though Glyndebourne with its triumphant policy of private funding is a much-cited model (and a favourite resort of Astra's president, Hakan Mogren), the new sponsorship deal depended on continuing aid from the public sector, a reminder that Sweden does not envisage American-style tax concessions for sponsorship. Stockholm county council has obligingly increased its grant of SKr50m by another SKr5m. The flexibility of various authorities is reflected by the co-operation of public and private, perhaps setting an example for the rest of Sweden's cultural institutions. The County Council also runs the public transport system, and has agreed to re-name the nearest underground station after the concert hall. There is talk of this year's festival devoted to the 19th-century "Swedish nightingale" Jenny Lind being celebrated on postage stamps, a sign of the close links between culture and state bureaucracy that are as fruitful in Sweden as they are stultifying in France (and non-existent in Britain).

The orchestra owns its venue, and Astra sees advantages in being able to call on this facility for its own corporate events: at least one high-ranking executive is already in the habit of hiring the band's musicians for home entertaining – an improbable picture when translated to Britain. Meanwhile, the Philharmonic's policy of attracting newer audiences has led to conclusions similar to the London South Bank Centre's in its researches: a surprisingly large number of the uninitiated would attend high culture if the incidentals – access including parking, information, prices, suitable dates and times – could be improved.

The orchestra has noted that a far from hide-bound public welcomes novelties. A yearly festival alternates Swedish with international composers as a theme. The Schnittke festival in 1989 was the first large-scale cycle of the musician's works in the west, in the teeth of Soviet objections to his leaving Russia. Last year's festival devoted to Arvo Pärt was sold out mainly to the 25-30 age group. "He didn't exactly tap dance but he was in a great mood," one orchestra official observes with pride. Meanwhile the orchestra intends to experiment with presentation, lighting, electro-acoustic music, flexible prices and open days that take the public backstage. Already a rather preciously-billed series of Tuesday night "intimate" chamber concerts has been switched to a more robustly advertised Sunday morning slot with huge success and a wider public.

The orchestra's two principal guest conductors are Andrew Davis and Paavo Järvi, son of the famous Neeme. At the concert I heard conducted by Davis both players and public reacted warmly to a moving version of Elgar's First in a programme that opened with a resinous, bracing piece by the Swedish Daniel Börtz. The hall looked almost full though my hosts were not satisfied. Over a weekend marked by a deceptive thaw and a wicked cold snap that sent the temperature down to Arctic levels, both an afternoon chamber concert by the excellent Talekvartetten (Dutilleux, Stenhammar, Bartók) who will surely have an international career and a *Don Giovanni* by the "alternative" opera company Folkopera were sold out; the Philharmonic's rival Swedish Radio Orchestra in a Russian bill under Pletnev with Mischa Maisky was well packed. Stockholm's musical life is thriving; no wonder Astra wants a slice of the action and is prepared to invest in it generously.

Theatre/**Alastair Macaulay**

The Long and the Short and the Tall

Not only, but also. While the Duke of York's Theatre has been housing a six-month season of "Royal Court Classics", other theatres keep staging other plays that the Royal Court once made famous too. Two weeks ago, I reviewed the Birmingham Rep staging of John Osborne's *The Entertainer*; last autumn the RSC staged Osborne's *A Patriot for Me*; and now, just up the block from the Duke of York's, the Albery Theatre is presenting Willis Hall's once-famous *The Long and the Short and the Tall*.

I have no problem with the season of "Royal Court Classics" apart from one about nomenclature – the word "classic" is too readily banded about – but it is the presence of Royal Court plays elsewhere that demonstrates the real importance of its record over the last 40 years to British theatre repertory today.

Though Hall first wrote this for a bunch of Oxford undergraduates in 1957, it was its professional staging at the Royal Court in 1958 – directed by Lindsay Anderson – that made it nationally celebrated. It depicts a reconnaissance patrol of seven British soldiers in the Malayan jungle during the second world war. One is Scots, one Welsh, one Cockney, one Geordie, and so on; one is sadistically punitive, one is a permanent irritant (the Thersites type). Sure, this cross-section of types is a cliché; indeed, it was in 1958. But the play is, as Kenneth Tynan wrote then, beautifully written; "each character speaks a language... abundant in racy local metaphor"; and it is interesting today to read his observation that "Suddenly... a group of plays has sprung up for which B.B.C. English is utterly useless." We get to know all these men. But, at the end, offstage gunfire polishes them all off.

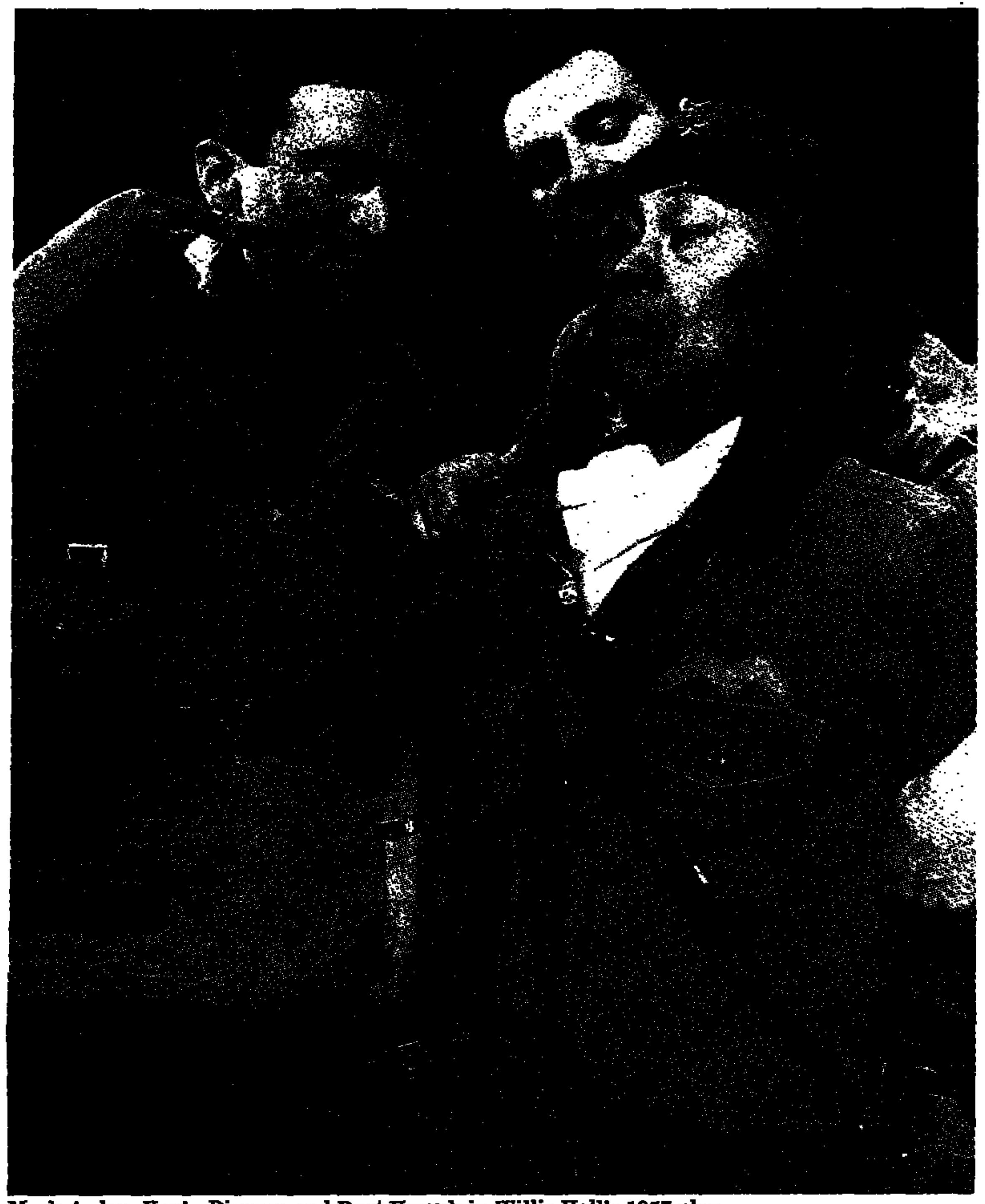
Hall was 30 years old then: he has contributed a brief memoir to the programme of the present production. The original cast included Robert Shaw and Peter O'Toole (replacing Albert Finney, who had appendicitis); O'Toole's understudy was Michael Caine. None of them then were stars, and the play's original run in the West End lasted only three months. Nonetheless, the play had made its impact, and many other productions round the country followed.

For the new production, which is directed by Paul Jerricho, Hall has supplied or sanctioned a busy sprinkling of f- and c-words over his original text. This is a mistake. They grate against the splendidly varied wartime vernacular of the 1958 text, and make some of its words sound merely quaint. Jerricho's actors could be taught to project with more vocal incisiveness; and to make certain pauses more telling. Haircuts are too modern. But the play still works, and becomes increasingly gripping.

There is, actually, a certain kinship between David Storey's *The Changing Room*, the 1971 play currently at the Duke of York's, and *The Long and the Short and the Tall*. Both are all-male; both show tensions between a social mix; both are "offstagers", set in one room apart from the sphere of male activity; Lindsay Anderson directed the original productions of both plays; and both plays allow their larger meanings – about the games men play – to become apparent without anyone onstage giving voice to them.

The silent role of the Japanese Soldier is played by Burt Kwouk, who is best known for playing Cato in the *Pink Panther* movies. The programme tells us that he first played this role over 20 years ago. At the risk of sounding competitive, I would like to observe that I myself played the same role 23 years ago. I was 17, it was a school production, and it took a great deal of make-up to render me remotely Oriental. It is a harder role than you might suppose. Memory plays tricks, but I would like to think that my onstage death was more convincing than Kwouk's.

Albery Theatre, WC2.



Mark Arden, Kevin Dignam and Burt Kwouk in Willis Hall's 1957 play

Alastair Muir

Concert/**David Murray**

Schubert sings through the Takács

The Takács Quartet – half Hungarian, half British – always enjoys a warm welcome here, for it has earned it honestly: above all in Bartók, but since then in the classical and romantic repertoires too. When the quartet began its cycle of Schubert's "complete string quartets" at the Wigmore last Tuesday, both of its February concerts were already sold out. It continues in November with two more; presumably the final ones, since there are just two mature Schubert quartets left to crown their programmes – though not enough time to squeeze in *all* of the early quartets, surely? Perhaps "complete" does not mean *quite* complete.

Tuesday's concert prefaced the great G major quartet with two exercises by the 16-year-old composer, the "4th" quartet in B-flat and the E-flat "8th". (There is *something* absurdly officious about numbering a composer's juvenilia along with his grown-up pieces; it shows the malign hand of the music-historian, like dubbing Bartók's violin concerto "No. 2" because he turns out to have written – and withdrawn, and then cannibalised – a much earlier one that he wanted forgotten.) At the hands of other quartet-players, Nos. "4" and "8" might have seemed thin fare for a whole first half.

No fear of that with the Takács, whose linear style, wiry but lyrical, proved wholly apt for disclosing young Schubert's best strengths without inflating what are after all student pieces. The basic elements in both these quartets are fairly conventional and *sage enfant* (granted that the *enfant* already knows a lot of Beethoven). There are no melodic flights to prefigure Schubert's luminous line-drawing later, though plenty of assiduous workings-out and many a routine professional trope keenly imitated.

What is striking is his large-scale dramatic sense: canny, purposeful contrasts of texture and dynamics create steady excitement, suspense and satisfaction, even when we expect no real surprises.

Through their fresh, "natural" address, the Takács found exactly the right median between innocent songfulness and studied formalism. I thought the players did beautiful justice to these pieces, letting us hear – quite without underlining or conscious nudges – both the newly-learned 'prentice and the composer that Schubert was on his way to becoming. Then, after the interval, the G major quartet ("No. 15", his last) provided just the fulfilment that we wanted and needed to hear.

The scale and the startling originality of the G major (which is almost as much in G minor switching abruptly between those keys to potently expressive effect) prompt most quartets to aim at monumentality: a lofty, detached symphony for four instruments, a grand edifice. The Takács players preferred a more human, intimate style. If there were intimations of tragedy, they came through singing individual lines and a few collective outbursts – arresting, certainly, but never grandiose.

That is not the only way to deliver this extraordinarily disturbing work; but in the seeming-simple Takács version it still sounded extraordinary, and acutely moving.

'Rigoletto' and 'Werther' hit the road

Richard Fairman reviews English Touring Opera

As English Touring Opera prepares to pack its bags for its spring season, it will be hoping for a good send-off. The trouble is that ETO has to start by helping itself.

The company's new production of Verdi's *Rigoletto*, unveiled before its London audience at Sadler's Wells Theatre on Tuesday, is a late example of the grim, modernist style of opera production that one hoped had died out when the fall of the Berlin wall crushed its Eastern bloc progenitors some years back. It is difficult to believe that audiences in Exeter and Ipswich will be enchanted by its hard-edged social realism.

After his colourful ETO staging of *L'elisir d'amore*, Stephen Medcalf and his designer Charles Edwards have sadly resorted here to an abstract wasteland of a set, in which symbolism is everything. Gilda is kept locked away in a white box. There is no furniture, not even a CD player on which she might listen to a more stylish performance of the score. Later, after she has been raped, the interior of her box-room turns blood-red, so even the least attentive member of the audience should get the point.

The best individual contribution comes from Gail Pearson, who gives the caged Gilda a bright and rapt songfulness. Her fast vibrato is perhaps not ideal for Verdi, but she makes the music her own, phrasing and colouring Gilda's role with touching sensitivity. Jeffrey Stewart has a decent basic tenor with which to tackle the Duke of Mantua, although he could lift it into place with a little more elegance.

Apart from the strength of the seven-man chorus, that is the last of the good news. Finding a baritone with the vocal heft for Rigoletto will not have been an easy task and ETO has secured an experienced performer in Glenville Hargreaves, but he fails to make the role add up to more than a succession of clichés. Michael J. Pearson's gruff Sparafucile has to deliver his entrance scene from the sloping roof of Gilda's box, causing a frisson of tension as one waits to see if he will slide off into the wings.

This oblique production is married to a musical performance that puts literalness before anything else. Martin André is determined to deliver the score as he sees it, without extra high notes and for the most part without flexibility. He hardly ever allows expressive freedom and, on the rare occasion when he does, it does not sound idiomatic.

★

The companion opera on ETO's spring tour – Massenet's *Werther* – is a somewhat better bet. Geraint Dodd's Werther is too much the morbid loser, too little the romantic poet, and he struggles with a tenor voice that is as often out-of-focus as in, but he does put across the character's inner emotions. Christine Botes's high mezzo is rather colourless for Charlotte, but she brings some animation to the later stages of the role. Roderick Williams's well-sung Albert and Maureen Brathwaite's Sophie dispatch their lesser challenges with splendid assurance.

The balance is tilted by the conductor Andrew Greenwood and ETO's brave little orchestra, who bring all the style and warmth of heart to *Werther* that was so lacking in *Rigoletto*. Massenet's glorious orchestration may have been reduced for touring, but his emotions seem as big as ever.

English Touring Opera sponsored by Barclays Bank. Performances at Sadler's Wells until February 24, then on tour.

ENO appoints Paul Daniel

Paul Daniel has been appointed as the new music director of English National Opera. Daniel, 37, is currently music director of Opera North. He will take up his appointment at the London Coliseum in August 1997, assuming artistic leadership of the company with general director Dennis Marks.

Daniel previously worked with ENO, on its music staff, from 1982 to 1987. He was always the favourite for the Coliseum post but was believed to be initially reluctant to leave Opera North, where he had earned international acclaim over the last seven years.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● Radio Filharmonisch Orkest: with conductor Claus Peter Flor and baritone Siegfried Lorenz perform Vier ernste Gesänge, Op.121 by Brahms/Leinsdorf, and Bruckner's Symphony No.9; 8.15pm; Feb 27

■ BERLIN

CONCERT
Deutsche Oper Berlin
Tel: 49-30-3438401
● Berliner Klaviertrio: perform works by Beethoven, Zemlinsky and Brahms; 8pm; Feb 26
Konzerthaus
Tel: 49-30-203092100/01
● Kathleen Battle: accompanied by pianist Martin Katz. The soprano performs works by Händel, Wolf, Liszt, R. Strauss, Granados and Turina; 8pm; Feb 29
Philharmonie & Kammermusiksaal
Tel: 49-30-254880
● Freiburger Barockorchester: with conductor Thomas Hengelbrock perform Cherubini's Requiem and Beethoven's Symphony No.3; 8pm; Feb 26
OPERA
Komische Oper Tel: 49-30-202600
● La Traviata: by Verdi. Conducted by Yakov Kreizberg and performed by the Komische Oper; 7pm; Feb 25

■ BOLOGNA

DANCE
Teatro Comunale di Bologna
Tel: 39-51-529999
● Don Quixote: a choreography by Petipa/Gorski to music by Minkus, performed by the Moscow Ballet; 9pm; Feb 27

■ BRUSSELS

EXHIBITION
Palais des Beaux-Arts
Tel: 32-2-5078466
● Rétrospective Mel Bochner. Thought made visible: this exhibition shows Bochner's work made between 1966 and 1973 and includes eight installations, photographs and some 60 drawings; from Mar 1 to May 12

■ COLOGNE

EXHIBITION
Römisch-Germanisches Museum
Tel: 49-221-2214438
● Unbekanntes Agypten: Oasen und Wüsten: exhibition of photographs by Rudolf René Gebhardt and handcrafts, illustrating the life, nature and culture in the desert west of the Egyptian Nile valley; from Mar 1 to Apr 14
OPERA
Opernhaus Tel: 49-221-2218240
● Die Zauberflöte: by Mozart. Conducted by Georg Fischer and performed by the Oper Köln. Soloists include Franz-Josef Selig, Rainer Trost, Harry Peeters and Amanda Halgrimson; 4pm; Feb 25
THEATRE
Schauspielhaus & West-end-Theater Tel: 49-221-2218400
● Die Jungfrau von Orleans: by Friedrich Schiller. Directed by Torsten Fischer. The cast includes Jacqueline Kornmüller, Sophie von Kessel, Birgit Walter, Jan Schütte, Martin Reinke and Michael Weger; 3pm; Feb 26

■ EDINBURGH

OPERA
Edinburgh Festival Theatre
Tel: 44-131-5296000
● La Traviata: by Verdi. Conducted by Richard Armstrong and performed by the Scottish Opera. Soloists include Claire Rutter, Paul Charles Clarke, René Massis and Helen Lothian; 7.15pm; Feb 28

■ FRANKFURT

DANCE
Jahrhunderthalle Hoechst
Tel: 49-69-3601240
● Il Gattopardo: a choreography by Roland Petit to music by Verdi, Rossini, Puccini, Bellini and Respighi, performed by the Ballet National de Marseille Roland Petit; 8pm; Feb 26, 27

■ GLASGOW

POP-MUSIC
Glasgow Royal Concert Hall
Tel: 44-141-3326633
● Tori Amos: performs songs from her latest album "Boys for Pele" and other works; 7.30pm; Feb 29

■ HELSINKI

OPERA
Opera House Tel: 358-0-403021
● Il Barbiere di Siviglia: by Rossini. Conducted by Miguel Gómez-Martinez and performed by the Helsinki Opera. Soloists include Charles Workman, Kalevi Olli, Marussa Xyni and Sauli Tiilikainen; 7pm; Feb 29

■ LISBON

CONCERT
Grande Auditório da Fundação Gulbenkian Tel: 351-1-7935131
● Coro Gulbenkian: with director Jorge Matta, sopranos Ana Ferraz and Rute Dutra, and contralto Helena Pata perform Leite's Misere and Júnior's Credo, Libera me, Miserere and Stabat Mater; 9.30pm; Feb 25

■ LONDON

CONCERT
St John's Smith Square
Tel: 44-171-2221061
● Artur Pizzaro: the pianist performs Debussy's Epigraphs antiques and Dukas' Piano Sonata in E flat minor; 1pm; Feb 26
Wigmore Hall Tel: 44-171-9352141
● The Takács Quartet: perform Schubert's string quartets Nos. 1, 10 and 13; 7.30pm; Feb 24
EXHIBITION
Sothebys; Parke Bernet & Co.
Tel: 44-171-4938080
● Weaving a Tale of Heroes, Monsters and Myths: auction of tapestries from the Vigo Sternberg Collection. The sale includes more than 80 works dating from the 15th century to the present day, from the major weaving centres of Flanders, France and England; 11am; Feb 29

■ LYON

CONCERT
Opéra de Lyon Tel: 33-72 00 45 45
● Orchestre de la Suisse Romande: with conductor Armin Jordan and pianist Nelson Gömer perform works by Ravel, De Falla and Liszt; 8.30pm; Feb 24

■ NEW YORK

CONCERT
Carnegie Hall Tel: 1-212-247-7800
● American Composers Orchestra: with conductors Dennis Russell and Henry Brant perform works by Brant, Sessions and Ives/Brant; 3pm; Feb 25
● Koninklijk Concertgebouworkest: with conductor Riccardo Chailly perform works by Hindemith, Weill, Shostakovich and Mussorgsky; 8pm; Feb 25
Merkin Concert Hall - Abraham Goodman House
Tel:1-212-362 8719
● New York Philharmonic Ensembles: fourth concert in this series led by Kurt Masur. Flutists Jeanne Baxtresser and Renée Siebert, viola-players Irene Breslaw and Rebecca Young, bassoonist David Carroll, violinists Glenn Dicterow, Lisa Kim, Hanna Lachert, Charles Rex and Donald Whyte, clarinettist Stanley Drucker, pianist Linda Mark, and cellists Nancy McRae and Alan Stepansky perform works byHaydn, Rex, Szymanowski and Brahms; 3pm; Feb 25

■ PARIS

CONCERT
Salle Gaveau Tel: 33-1 49 53 05 07
● Aprile Millo: accompanied by pianist George Darden. The soprano performs songs by Wagner, Bellini, Verdi, Wolf and Dvorák; 8.30pm; Feb 26

■ WASHINGTON

CONCERT
Concert Hall Tel: 1-202-467 4600
● Zigeunerlieder: by Brahms. Performed by the Boys Choir of Harlem with conductor Walter J. Turnbull; 3pm; Feb 25
EXHIBITION
National Portrait Gallery
Tel: 1-202-357-1915
● Rebels: Painters and Poets of the 1950s: two-part exhibition that examines the revolutions in painting and poetry that took place on the east and west coasts following the second world war. In "The Poets" Jack Kerouac, Alan Ginsberg, William Burroughs and their contemporaries are revisited through photographs, prints and memorabilia. The section "The Painters" highlights the New York painters associated with Abstract Expressionism; from Feb 24 to Jun 2

■ ZURICH

CONCERT
Opernhaus Zürich
Tel: 41-1-268 6666
● Alban Berg Quartet: perform Mozart's String Quartet No.18 in A and String Quartet No.17 in B flat, and Berio's Notturne; 8.20pm; Feb 26

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Philip Stephens

The Lazarus effect

The Tories could win the next election, given some heroic assumptions. And some people have to take those seriously

Time to think the unthinkable. John Major's government could win the general election. No, I am not kidding.

Granted, this may seem a curious moment to raise such a prospect. The House of Commons has yet to vote on the Scott report into arms sales to Iraq. Win or lose on Monday, Sir Richard Scott's conclusions have done the Conservatives serious damage. The voters may not grasp the precise import of these ministerial misdemeanors. They do not need much convincing that this government is sleazy.

Then there is the left-leaning Peter Thurnham, poised it seems to reduce Mr Major's precarious majority even further by resigning the Tory party whip. It may only be a matter of months before the government depends for its survival entirely on the unpredictable allegiance of the Ulster Unionists.

I could offer further qualifications. This week a colleague attended the British oil industry's glitzy annual dinner. There were 10 well-heeled executives on his table, capitalists to the core. Only three would admit they would cast their votes for the Tories. So I am talking about possibilities rather than probabilities. Note throughout the careful conditionals.

But screen out for a moment the day-to-day static of politics. Take a small leap of imagination and assume that the Conservative party manages somehow to maintain its fragile facade of unity until polling day.

The case for a Lazarus-like recovery then starts with the economic determinism of Michael Heseltine. The deputy prime minister has long been a touch cynical in his view of human motivation. If the voters have plenty of money in their pockets during the 12 months preceding an election, they will more likely than not decide to re-elect the government of the day. Look back over the postwar period and it is clear that this relationship between cash and power is not inviolable. But the track record is not at all bad.

So what cheers Mr Heseltine is the prospect that the voters (unless they are poor or unemployed) can now look forward to a sustained rise in incomes. Earnings are rising faster than prices, the cost of mortgages is falling. Tax cuts, rebates on electricity bills and payouts by the building societies as they abandon mutual status promise a further boost.

Even those economists who judge the Treasury's forecasts of economic growth as far too optimistic think there will be plenty of cash. Goldman Sachs, the investment bank, for example, predicts that real personable disposal income will rise 2.3 per cent in 1996 and 2.7 per cent in 1997. Add in the impact of the various one-off windfalls, and actual consumer spending may rise by an additional percentage point this year.

The strategists in charge of Mr Major's election campaign detect a corresponding shift in the opinion polls. Put aside the responses to the standard question on voting intentions and focus instead on what the pollsters call the "feelgood factor". Gallup defines this as the difference between the proportion of voters who expect their financial situation to improve over the next 12 months and those who think it will deteriorate.

> The Tory message is clear. However incompetent we may have been, do you really think Labour will do a better job of managing your money?

In Gallup's February poll for the Daily Telegraph, the balance was minus 5.8 per cent. Not wonderful, you might think. But as recently as December the figure stood at minus 12.1 per cent, and in the dark days of 1993 it was a startling minus 29.6 per cent. The plus 12.3 per cent recorded at the time of the 1992 election is not completely out of sight.

Not all his colleagues share Mr Heseltine's faith in such a mechanistic model. Kenneth Clarke sees rising living standards as a necessary, though not a sufficient, condition for electoral success. But the chancellor agrees that, for all the recent slowdown, the economy offers the government a fighting chance.

He intends to make the most of it. The conventional wisdom at Westminster has it that Mr Clarke is now a beleaguered figure, hated by the Eurosceptic right and at odds with Mr Major. It is true that he often seems to have more enemies than allies in his own party. But the more relevant reality is that Mr Clarke's position has never been stronger. He is unsackable. If he resigned, the government would collapse around Mr Major's ears. From now until polling day, prime minister and chancellor must sink or swim together. Mr Major knows it. So does Mr Clarke.

The chancellor is not planning to stoke up a boom. Unlike many of his critics on the Tory backbenches, Mr Clarke does not think the voters are stupid. Sure, he will get away with as much as he can on interest rates and tax cuts. But the chancellor sticks to the view that good economics and good politics are indivisible. Lower interest rates and taxes will be tested against his assessment of whether the financial markets, and the voters, judge them credible.

That does not preclude another cut in interest rates early next month. The Bank of England's belated admission that inflation is not the problem of the moment has removed the last remaining obstacle. There is also a mood in the Treasury in favour of acting more decisively in changing interest rates. The most common mistake of successive chancellors since 1979 has been to do too little, too late when the economy is booming, and too much, but too late, when it stalls. Mr Clarke appears minded to heed the lesson – in both directions.

But assume for the sake of argument that he gets it right. Why should anyone thank the government for a modest improvement in living standards after all the pain, broken promises and breathtaking incompetence of the past few years? The answer is that the government does not expect, or need, thanks.

The important point is that the voters are persuaded they have something to lose by backing Tony Blair. Tory strategists would not put it like this, but the message is clear enough. However much you hate us, however incompetent we may have been, do you really think Labour will do a better job of managing your money? Mr Blair may be every mother's ideal *son-in-law, but would he* really be able stand up to the Old Labour interest groups who would barge in behind him the moment he stepped over the threshold of 10 Downing Street?

I am sure that by now you will have spotted the flaws in this argument. It is predicated on Mr Major's holding on to office until April 1997. It depends on a fairly rapid narrowing of the opinion poll gap to lift the air of despondent defeatism which hangs over the Tory party. And it presumes that the electorate never looks further than its wallet. All heroic assumptions. But I do know one person who takes them seriously. Tony Blair.

LETTERS TO THE EDITOR

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We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

Knowing the drill for where oil flows

From Mr Harold Krivoy.

Sir, I am writing to claim priority for a theory developed in Stephanie Flanders' article, "The poverty of geology" (December 4, 1995).

My idea, though much more subjective, derived from geophysical exploration in the early 1950s. While working for two different oil companies in a three- or four-year period, my family and I had to live in Monahans, Texas.

I cannot give credit to many others who came up with the same dictum, but we were ahead of Stephanie Flanders with the observation: "Oil occurs in a place you'd least like to live."

However, Nigeria would probably win "hands down" over Monahans.

In the 1970s, when I worked for the US Geological Survey in Reston, Virginia, Nigeria was fast becoming a big producer. And with its first 4bn or 5bn debt dollars, it was talked into an environmental study in preparation for moving the capital from Lagos up into the cooler hill country.

I don't think the Nigerians ever moved their capital, and I don't plan to visit that part of the world – Dallas is enough.

The months since you printed Stephanie Flanders article on the Harvard economic study have been dolorous for Nigeria.

It has been visited by an implacable tyranny, while the oil flows on.

I do have a fond memory of all the Nigerian geologists I met here in America. They were excellent scientists – a tribute to the colonial educational system.

Harold I. Krivoy,
1700 Richland Dr.
Richardson,
TX 75081,
US

Bundesbank's pivotal role in Emu

From Dr Jürgen Pfister.

Sir, Professor Willem Buiter's comment (Letters: "Emu too influenced by Bundesbank", February 20) is a good example of the British sense of humour and should be welcomed as such at the end of the German carnival season.

Of course, the Bundesbank plays a pivotal role in German public debate on Emu – a result of more than 40 years of success and the still vivid traumatic experience of two hyperinflations in the first half of the century. What is more, Germany and France are indeed slightly more important than other EU members in this respect – reflected in the commonly held view that without one of these countries Emu will not happen.

It may be true that the fiscal criteria in the Maastricht treaty are not very convincing from a purely economic point of view. But it should be understood what function they serve: obviously the signatories of the treaty held the view that the success of the future European central bank cannot be guaranteed by making it responsible for price stability alone, giving it an independent status and writing the other rules into its statutes. This should be accompanied by binding rules for fiscal policies as the temptation might arise to take advantage of the reduced costs of fiscal irresponsibility by one country in a monetary union.

The appropriate response to the obvious weakness of the fiscal criteria is to replace them with more sensible ones. For this reason, the German government proposed preparing limits for the structural deficit (1 per cent of gross domestic product) which would be strictly binding once Emu has begun, and not just for a single year.

Professor Buiter's suggestion, which comes close simply to ignoring the criteria, runs the risk of casting doubt upon the core of the treaty as well, namely the promise of a stable currency.

Bundesbank chief economist Otmar Issing's suspicion that the Maastricht treaty is hardly read carefully seems to be true. First, ironically, for the least sensible criterion – the government debt to GDP ratio – the qualifications in the treaty are hardly "sufficient" because they may include the Irish case - a rapid approximation to the reference value - but not the German case, where the ratio is moving in the wrong direction and may well slightly exceed the 60 per cent mark. Second, the European central bank is, according to the treaty, the same non-elected, unrepresentative special interest as the Bundesbank. A look at the fiscal policies in many EU countries, which are decided by elected representative bodies, should make us welcome this with a sigh of relief.

Jürgen Pfister,
senior vice-president and head of economic research,
Commerzbank AG,
D-60261 Frankfurt, Germany

More credible factor behind 'globalisation'

From Mr Neville Craig.

Sir, Mr Phil Mullan (Letters, February 16) postulates that "globalisation" seems to be a sign of economic decay. He cites the move by UK interests to foreign direct investment and the rapid turn to overseas production by Germany and Japan.

In your February 17 issue, Barry Riley ("There's profit in stagnation") appears to offer a more credible explanation. "Foreigners have filled...the capital vacuum (in the UK) with the Japanese...bravely building £20bn worth of plants. The resulting profits have ranged from average at best to poor or negative in most cases. We could have told them."

As one of the large body of scientifically qualified British managers who has worked outside the UK for much of his working life, I would suggest that Mr Mullan should consider the higher profitability achieved by British shareholdings out, as Britain in countries where "adding value" is more important than "demanding one's rights".

Arrogant trade unionism drove many British interests (investors and managers) out of the UK. Those who filled the "capital vacuum" did so partially in ignorance.

Neville Craig,
PO Box 30056,
Nairobi, Kenya

Democratic vote for Pat's further success

From Ms Eileen O'Connor.

Sir, I am a Democrat, which was hardly in vogue during the US presidential election of 1992 (or 1988, 1984, or 1980).

Following Pat Buchanan's win in the New Hampshire Republican primary election, all I have to say is "GO PAT!" Keep up the good work! As long as your "peasants with pitchforks" keep fighting off the big bad "knights and barons" ("Primary win for Buchanan seen by TV networks", February 21) we "Democrats" will continue to run the country through to the year 2000...

Eileen M. O'Connor,
20 Edgewood Road,
Glen Ridge,
New Jersey, US

Europa • Dominique Moïsi

Remembrance of times past

Western Europe's elites have found a sense of identity elusive since the end of the cold war

Shadowy spectre: Lenin's portrait behind Gennady Zyuganov

As Europe *contemplates* the slowdown of its economy, the communists are returning to power in most *of the countries* of eastern and central Europe which liberated themselves from Soviet domination in 1989. There is the awesome possibility that a communist might once again rule Russia.

What has gone wrong in the five years since the collapse of the Soviet Union? What has happened to our hopes for a new European order based on values of stability, peace, justice, prosperity and freedom? What was missing from the process of democratic change – the right men, the right concepts, the right values?

Men do, of course, make a difference, as seen by the influence of F.W. de Klerk and Nelson Mandela in South Africa, or Yitzhak Rabin, Shimon Peres and Yassir Arafat in the Middle East. But in the complex, often grey, transition such as Europe is now experiencing, charismatic leaders do not necessarily arise in the way that they do in more brutal events such as the French or Russian revolutions.

Conceptually, the last few years have been extremely difficult to grasp and to understand. Looking back, the *events since 1989 look like* a speeded-up film – the images passing so quickly that they cannot be understood properly.

Seen in historical perspective, recent events appear to encapsulate in condensed form all the dilemmas Europe has experienced since the end of the Napoleonic wars and the Congress of Vienna of 1815.

In bringing to an end the Napoleonic era and the international dynamism of the French revolution, the Congress of Vienna sought a principle of legitimacy that would bring order and stability. In 1815, that was the monarchical system. Today, a similar search brings us to a combination of democracy and the market economy.

The Congress of Vienna also sought to integrate the defeated party in a new European order. Just as for France in 1815, so it has been for Russia since 1991. The policy conclusion in each case was the same: engage the defeated country if you can, contain or curb it if you must.

After the first world war, the Treaty of Versailles opened the way to a series of pacts installing a new order after the defeat of Germany and the collapse of the Austro-Hungarian and Ottoman empires. This saw the triumph of the principle of national self-determination that was repressed in Vienna.

From the world of Versailles, we have also inherited the contradictions between democratic rhetoric and the passive real*politik that allows democracies* to stand by while dictatorships repress their own peoples. In 1939, this led to the second world war, and in 1991 such a passive stand led to the "death of Yugoslavia".

The end of the second world war and the onset of the cold war brought bipolar division to Europe. From this era, we have inherited not only the weapons of mass destruction, but also a nostalgia for a world defined in clear, simple – even manichean – terms.

From this century, we have also inherited the darkest pages, from the holocaust to ethnic cleansing *in the former* Yugoslavia. The differences between Auschwitz and Srbrenica are of course qualitatively and quantitatively enormous – in the latter the women and the young children were spared. But *it is not the* kind of progress Europe should be proud of.

The UN and Nato forces in the former Yugoslavia used each others' presence and the nature of their respective mandates as alibis for their passivity and impotence. It was not an encouraging experience for Europe at a time when the advantages of a European pillar of security to replace the Atlantic alliance were under discussion.

Confronted with a fast-moving world that defies simple analysis, some westerners seem to contemplate the possible return of the Communists to power in Russia with fatalism – even relief. Since western Europeans seem to have been incapable of giving themselves a positive sense of identity in the absence of a communist threat, they may even welcome its return.

This could be seen at the recent World Economic Forum in Davos, in the reception given by western elites to Gennady Zyuganov, the leader of the Russian Communist party and present favourite in the *polls for the presidential election.* Mr Zyuganov is very different from the former communists who have been returned to power in eastern Europe and much more similar to the original Communist model. But he *has learned to* address a western audience, and speaks with an authority and calm that appeared to have bewitched them.

"Maybe he is not that bad. Maybe he incarnates what Russia needs above all, order and stability," seemed to be a common response.

This reassuring logic may do no more than cloak western impotence – there is little the west can do to influence the results of the Russian presidential election. But I detect another implicit reading, if not a hidden agenda: the return of confrontation with Russia that could give western Europe the sense of identity and purpose it badly needs.

Containing Russia would of course be different from containment of the Soviet Union. The struggle against ideology would be replaced by a struggle against an assertive nationalism reminiscent of that of the late 19th century.

History would thus come full circle. From a dream of an open and free Europe united by democracy one would return to the awesome reality of a Europe divided once more by national interest, if not ethnic rivalries.

This sombre scenario is not inevitable, not should it become so. History is made at the margin and its verdict is still open.

It is not too late to resuscitate and mobilise the spirit of 1989 in central and eastern Europe and of 1991 in Russia. This would mean a European Union much more confident of *itself and of its* values.

Just because the pace of change has accelerated and become complex, there is no need to become resigned to the inevitability of a return of a simplistic and divided Europe. But if we allow it to happen, the failure would be ours, because we are the generation of 1989.

The author is deputy director of the Paris-based Institut Français des Relations Internationales and editor in chief, Politique étrangère. He writes in a personal capacity

FINANCIAL TIMES

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Friday February 23 1996

Mr Bildt's burden

If one thing is clear to most observers of Bosnia's peace process, it is the fact that a vast, possibly unbearable, burden rests on the shoulders of Mr Carl Bildt, who was chosen last year as the European Union's envoy to the conflict zone.

As "high representative" with responsibility for non-military aspects of the Dayton peace accord, he is supposed to oversee the physical, and more important, the political reconstruction of Bosnia as a democratic state. It is widely agreed that Nato's military efforts could go to waste unless Mr Bildt is successful, and that his effort has proceeded more slowly than the designers of the Dayton accord had hoped.

Yesterday's news of a mass outflow of Serbs from the suburbs of Sarajevo will depress morale at Mr Bildt's makeshift and over-stretched headquarters in the Bosnian capital. Despite his best efforts, it has become clear that neither the Bosnian government nor the Bosnian Serb leadership has the will to establish post-war Sarajevo as a multi-ethnic capital for a multi-ethnic state. The exodus of the Serbs is something worse than an embarrassing setback for Mr Bildt. It is a reminder that Bosnia's reconstitution as a functioning entity could still fail.

Mr Bildt has justifiably criticised both Moslem and Serb leaders for not co-operating with his efforts to create a climate of trust in Sarajevo. He could well suffer the greatest political damage, tarred with the brush of failing to reunify Bosnia. Some US officials have started a whispering campaign against him, suggesting he was slow to get started and has focused too heavily on Sarajevo.

This back-biting bodes ill for transatlantic co-operation, in Bosnia and beyond. It is true that Mr Bildt has faced an uphill struggle to co-ordinate the work of international bureaucrats and the Bosnian factions.

But that is partly because the division of labour agreed at Dayton might almost have been designed to make Mr Bildt look bad, and the US-led Nato operation in Bosnia look good. Nato's mission has lavish funding and fairly simple tasks, while Mr Bildt is coping with a vast and open-ended job on a shoestring. But Nato's bosses are wrong if they think their organisation can enhance its reputation in Bosnia while that of Mr Bildt and the EU flounders. A messy failure in Bosnia would tarnish Nato too.

In the short term, Nato should do more to help Mr Bildt with his practical problems, such as transport round Bosnia. In the long term, EU leaders might reflect on the deeper reason why their man in Bosnia has failed to match the political authority of Mr Richard Holbrooke, who retired this week as US envoy to the region. Lack of funding is part of the reason for Mr Bildt's travails. But perhaps the underlying problem is the reluctance of Europe's jealous nations to invest one individual with sufficient authority to speak in their name.

Training the UK

Education and training are the motherhood and apple pie of 1990s economic policy, particularly among parties of the left. Boosting the nation's human capital is a worthy aspiration – the trick comes in finding plausible ways to match aspiration to reality.

The UK Labour party has faced up to several policy realities in scrapping its longstanding policy of imposing a compulsory training levy on companies which do not spend a minimum amount on training. The first, less laudable reason is that these days any compulsory levy, even one supplemented by rebates for the well-behaved, would be labelled a "tax" in the run-up to the election.

There would be nothing wrong in Labour deciding to increase government spending on training, even if that meant higher taxes to pay for it. But there is a second, much better reason for dumping the old scheme – that it would not work. A similar system of levies and subsidies run by the Industrial Training Boards of the 1960s and 1970s was abolished in 1981 for being overcomplicated and ineffective. Employer pressure had led to mounting exemptions for small firms and other "special cases". This meant that trained labour often migrated to the unaffected industries or exempted firms - causing even more resentment among those companies forced to pay.

Training levies would have even less chance of succeeding in today's labour market. Quite apart from the likely administrative costs, the system would end up excluding the growing share of the workforce employed in small, non-manufacturing companies or on short-term or part-time contracts - who often need training the most.

Labour is still debating the details of its new training policies. But they look set to centre round a new set of tax incentives for training: "individual learning accounts" for training funded jointly by companies and employees, and "Tessa"-type savings accounts for individuals who put aside money for more general training.

This approach makes sense for two reasons. First, it is voluntary. International evidence suggests that, particularly among older workers, training or re-training programmes rarely succeed when individuals have been forced to sign up. Second, it recognises that training policy these days needs to focus more on individuals and rather less on their, often temporary, employers.

For Labour, the drawback of the new approach will be that it will take time, and money, to have a significant effect on training levels. The UK will not be turned into a nation of human capitalists overnight. And individuals and employers will need not just generous tax incentives to train, but proof that the training and qualifications available are worth the effort.

India's scandal

Even to a country long familiar with corruption, India's latest scandal has turned into something out of the ordinary. It has now led to charges against more than two dozen politicians from various parties, including seven serving minister. More are expected to follow.

At one level, this is a catastrophe for the country's political class. At another, it is an opportunity to bring forward political reforms to match those already introduced in the economy.

India's problem is that, like many developing countries, it is not one society but two. There is a backward looking, feudal India in which patronage plays a large part. Superimposed on that is a modern industrial democracy struggling to develop values of its own. The latest scandal is a clash between the two. Although it seems unlikely to lead quickly to radical reform, it is important that modern values win through over time.

Poor rural voters, who make up the mass of India's electorate, are used to seeing politicians as larger than life. They are expected to dispense favours in return for money with one hand, and to distribute largesse to the people with another. It matters little whose money they are actually using. That is simply how politicians behave.

But economic reform is bringing change. Gone is the so-called licence raj, when almost all forms of economic activity were subject to permit which often had to be bought. In its place are growing numbers of deregulated industries for which politicians are less important. It is testimony to the impact of this change that the scandal has taken on such large dimensions.

It has shaken the Congress party at national level to its very foundations. Moreover, the supreme court has insisted on the investigation proceeding regardless of the vested interests of leading politicians. Its determination shows how, in contrast to China, the rule of law can be made to prevail in India.

Still, India needs to adapt its political institutions to the modern world. State funding of parties and higher ministerial salaries would be just a start. There are opportunities for graft even in a liberal economy, but India's business-minded middle classes have a growing interest in impartial and transparent government. Without basic reforms on party funding, India will never break free of its patronage culture.

India still has to tackle some important economic issues – like deregulation of land use which is inhibiting development of its cities and driving up rents, and the provision of adequate infrastructure, including power supplies to industry. Its leaders will be painfully slow to deliver if they remain mired in wasteful corruption. Good government is a precondition for lasting prosperity.

A struggle to fly to the top

Michael Skapinker on the future of the Airbus project and the intense competition it is likely to face from Boeing in the next century

France's announcement this week that it is to begin restructuring its defence industry will give heart to those who hope that a re-ordering of Europe's civil aircraft industry will not be far behind.

The decision to begin merging Aérospatiale and Dassault, France's two aerospace manufacturers, comes at a time of growing concern over the future of Airbus Industrie, the European civil aircraft maker in which Aérospatiale plays a leading role.

Over the next year, Airbus will have to take two decisions which will determine whether it remains a substantial competitor to Boeing of the US in the next century.

The first is whether to change Airbus's corporate structure, making it a profit-making entity in its own right rather than a co-ordinator of other companies' manufacturing efforts.

The second is whether to spend up to $12bn building a double-decker "super jumbo" which can compete with Boeing in the large aircraft market. Finding this money will not be easy as investors are likely to be unenthusiastic. "They're going to think back to the last big infrastructure project – Eurotunnel," says Mr Chris Avery, an analyst at Paribas Capital Markets.

Just a year ago, Airbus – which is owned by Aérospatiale, Daimler-Benz Aerospace (Dasa) of Germany, British Aerospace and Casa of Spain – was celebrating a rare triumph over Boeing, the world's leading aircraft manufacturer. In 1994, Airbus won more orders than Boeing, the first time that the US company had lost the top spot since the advent of the jet age.

Last year, however, Airbus suffered the humiliation of falling to third place. Not only did Airbus win only 106 aircraft orders to Boeing's 346, it also took fewer orders than McDonnell Douglas, believed by rival executives to have no long-term future in civil aircraft production. McDonnell Douglas won 110 orders.

Boeing has beaten Airbus to two substantial Asian orders in recent months: late last year, Singapore Airlines placed an order for 77 Boeing 777s. Last month, Malaysia Airlines ordered 15 Boeing 777s and 10 Boeing 747-400s.

Airbus's defenders say, however, that the gloom over its prospects should not be overdone. One year's orders cannot be taken in isolation. Airbus has, over the past few years, managed to win more than 30 per cent of the civil aircraft market.

Airbus delivered 124 aircraft to airlines last year, only a small increase over the 1994 figure of 123. But Airbus's turnover last year was a record $9.6bn, an increase of $1.1bn compared with 1994. This was because the consortium last year delivered a higher proportion of wide-bodied A330s and A340s than in 1994.

Airbus has also built up a large customer base since its foundation 25 years ago. There are already 1,334 Airbus aircraft in service with 130 operators.

Mr John Leahy, head of Airbus sales and marketing, insists the consortium's position in the Asia-Pacific region is still strong, in spite of Boeing's successes in Singapore and Malaysia. Mr Leahy says that in the battle between the Boeing 777 and the Airbus A330 and A340, the European consortium has taken 41 per cent of the Asian market against Boeing's 34 per cent. Airbus, he says, can still achieve its goal of winning 50 per cent of the world market by 2000.

But to do this in a market where price-cutting is common, Airbus needs to cut manufacturing costs.

Some in Airbus believe cost reduction is hampered by the consortium's structure. Airbus is a Groupement d'Intérêt Economique, which means that any profits or losses it makes accrue to its partners rather than to itself. Work on Airbus aircraft is shared out in accordance with each partner's stake in the consortium. Aérospatiale and Dasa each hold 37.9 per cent, BAe has 20 per cent and Casa 4.2 per cent. Critics of the GIE structure say Airbus does not even know what its costs are. Only the four partners know how much it really costs to make Airbus parts.

In June, a committee under the leadership of Mr Edzard Reuter, former chairman of Daimler-Benz and head of Airbus's supervisory board, will report on whether the GIE structure should be abandoned, allowing the consortium to become a limited company.

As a limited company, Airbus could take one of several forms. It could be responsible for product development, sales and marketing and final assembly of aircraft, putting out the manufacture of components to tender. Alternatively, it could take responsibility for all the partners' Airbus manufacturing facilities.

Placing a value on the different manufacturing facilities would raise serious difficulties, however, not least because BAe has done much more to reduce costs than Aérospatiale or Dasa.

BAe is more confident than the other partners that it could thrive in a more competitive environment. Although the French and German partners have declared themselves in favour of a move away from the GIE structure in principle, many aerospace executives from the two countries appear reluctant to allow anything to happen soon.

Mr Manfred Bischoff, Dasa chairman, said that while a new system might one day be required, the existing structure had demonstrated its advantages, allowing Airbus to establish its substantial presence in the market. He said: "The existing Airbus system must be competitive, otherwise we wouldn't have reached the position we have."

Several senior Aérospatiale executives are also, privately, against any change. Some defenders of the existing set-up say Airbus's manufacturing costs are controlled by the market. Airbus establishes the price at which an aircraft will sell and then calculates the amount it is prepared to pay the partners for manufacturing components. As the selling price of aircraft falls, Airbus drives a harder bargain with its component manufacturers, forcing them to cut costs if they want to make a profit.

The critics counter that Airbus cannot threaten to go to another manufacturer if it does not get the price it wants from one partner.

Airbus wants, however, to move ahead on its second important decision: to build the A3XX, which could carry from 550 to 800 passengers. Mr Leahy says he wants Airbus to announce it will go ahead with the project by the end of 1997.

Airbus sees the jet as essential to counteract the dominance Boeing has achieved in larger aircraft. That dominance allows Boeing to offer discounts on smaller aircraft, where it competes directly with Airbus, and charge full prices for its 400-seat 747, a sector of the market from which Airbus is absent. Observers believe this was the strategy Boeing used to win Malaysia's order.

Boeing has already said it expects to announce before the end of the year that it will begin work on the Boeing 747-600X, which will carry over 500 passengers.

Few doubt that Airbus has the technical skills to build the A3XX. Mr Leahy puts the cost at $8bn, although Mr Bischoff said last week that the sum could be as high as $12bn. Mr Christopher Tarry, an analyst at Kleinwort Benson, says final development costs are unlikely to be much higher than this. Creating a new aircraft costs $10m to $15m a seat, suggesting that a 550-seater could be developed for as little as $5.5bn.

Even at this level, however, analysts believe private investors are unlikely to be interested. Airbus will have to look elsewhere for the development cash.

Under a 1992 agreement between the US and the European Union, governments can fund one third of the development cost of or a new aircraft. While some might find the idea of the cash-strapped French and German governments putting up the money unlikely – and the thought of the UK stumping up cash laughable – Mr Avery of Paribas believes the notion is not that far-fetched.

Governments have seen a good return on the money they invested in the Airbus A320, Mr Avery says. Airbus says partner governments funded 75 per cent of the $1.7bn cost of the aircraft, which is being paid back.

Airbus says some of the development costs for the A3XX could come from new partners brought in for the project. There are several Asian countries which want to expand their aerospace sectors. Mr Bischoff believes partners could be found in Russia too.

The difficulty is that Boeing will be able to develop its "super-jumbo" much more cheaply, as it will base it on the 747's technology. Mr Avery believes Boeing's development cost could be as little as $1bn. Boeing also appears to have gone further in talking to potential customers, such as British Airways, Singapore Airlines and Lufthansa of Germany.

What Airbus does have is the cash flow from its existing models to help fund future development. As its executives point out, this is a better position than the one from which they began a quarter of a century ago, with no customers, cash flow or products.

· OBSERVER ·

Tut, tut... Tutu

■ South Africa's Truth Commission, headed by the irrepressible Archbishop Desmond Tutu, is about to start its two-year task of investigating, and hopefully laying to rest, the gross human rights abuses of the past 30 years.

Investigating these abuses, and granting amnesties to those who fully confess, is a formidable task to complete in such a relatively short time, even for a man with Tutu's energy. It's also going to be costly.

So this week members of the commission have been out, cap in hand. So far they have successfully persuaded the Swedes to part with a million rand to help set up a sophisticated computer base. Ambassadors from other European countries have also been called in and asked to make a contribution.

But is the Truth Commission telling its potential foreign benefactors the whole story? Because the commission was so slow in getting off the ground, it has just lost R47m allocated to it by the ministry of finance this year. And the men at the ministry, who are battling to find ways of cutting the budget deficit, are adamant that the money will not be rolled over into the next financial year.

Perhaps the Truth Commission needs first to secure an amnesty of its own so that it can tell the whole story about its own financial affairs.

Heir disapparent

■ The fantasy world of Mickey Mouse might have provided the inspiration for EuroDisney, but the rather more pragmatic milieu of the French hotel sector seems to be turning into the principal source for the theme park's senior executives.

Philippe Bourguignon, who displaced an American to become chairman of the park in 1993, hopped across after a career with the French hotel group Accor. Now Gilles Pélisson, who defected to EuroDisney from the same group last year, is taking over as president from Steve Burke, who returns to his native US.

All good news for EuroDisney, perhaps, but not so great for Accor. After all, Gilles, freshly fortified by his latest promotion, is now even less likely to return to the group where he spent 12 years and – as the nephew of Gérard Pélisson, the co-chairman of Accor – had been tipped as the "dauphin" to take over from his uncle.

No hiding place

■ Rogue trader Nick Leeson may have been able to slip into Frankfurt airport last year. But Jürgen Schneider, the disgraced German property tycoon, never had a chance. When he returns today he will be accompanied by the world's press.

RTL, one of Germany's two leading private TV networks, has been gearing up for months to make sure it had an exclusive ahead of SAT1, its rival. It even paid a Lufthansa pilot for a photocopy of Schneider's ticket and promptly booked the rest of the aircraft to make sure SAT1 reporters could not get a seat. But in the excitement RTL was told Schneider was arriving on the 22nd, whereas in fact he was only touching down in Frankfurt on the 23rd.

Money no object, however, and RTL has bagged all the seats on the next flight so that its reporters, complete with cameras mounted in baseball caps, can record Schneider's return to justice.

Peanuts return

■ Just in case the German public, not to mention creditor banks, start to tire of today's Schneider TV extravaganza, the sorry saga has been made into a film. Satirical in tone, it features well-known actors in the lead roles and will be shown across Germany next month.

But there is a twist. The story has been exaggerated and the names changed. Schneider (meaning tailor) becomes Jochen Schuster (shoemaker) and his wife Claudia becomes Cilli, with distributor Warner Bros coyly saying any similarity with "living, fugitive or imprisoned people" is purely accidental, if unavoidable.

However, the title of the DM5.8m production, "Peanuts – the bank pays everything", should leave audiences in no doubt.

This harks back to the unfortunate statement by Hilmar Kopper, head of Deutsche Bank, the main creditor, that the money owed to workmen when Schneider fled the country was "peanuts" compared to the DM5bn of debts he left behind.

Positive thinking

■ Times have changed in Albania, the last east European country to overthrow communism. Britain is re-opening its embassy in Tirana after a 50-year gap and companies are queuing up to do business in an economy growing at 8 per cent a year.

However, as Britain's foreign secretary, Malcolm Rifkind, reminded guests at Wednesday's annual dinner of The Royal Society for Asian Affairs, not so long ago Albania (pop 3.4m) only had one real friend – China (pop 1.2bn).

Nevertheless that did not stop Albania's late president Enver Hoxha boasting that the combined populations of Albania and China were the equivalent of a quarter of the world's population.

The Financial Times

100 years ago

Tehuantepec Exploration Co
The Chairman said at the first general meeting of the company, held in London: The property we are developing consists of 15,000 acres of the finest land selected on a spur of the Sierra Madre near the important town of Suchil. The property is in proximity to the newly opened Tehuantepec Railway, which connects the Atlantic with the Pacific coast. The future of the line is assured by the fact that the cotton spinners of Japan who desire to find a quick method of reaching the cotton districts of the United States, and the Japanese Government, have consented to subsidise a line of steamers from Yokohama to Salina Cruz, the terminus of the railway, with the object of carrying cotton from New Orleans and Galveston.

50 years ago

Far East war damage
A difficulty is the distinction between destruction perpetrated by the Japanese in the course of military operations and that done by Imperial [Allied] troops, or the companies themselves (under orders) as part of a "scorched earth". The whole matter bristles with difficulties, but it vitally affects the interests of two basic industries of the British Empire, rubber and tin.

FINANCIAL TIMES
Friday February 23 1996

Another 14 accused as investigation continues

More Indian politicians face corruption charges

By Mark Nicholson in New Delhi

The net of India's biggest corruption case spread wider yesterday as a further 14 senior politicians were charged with taking illegal payments from a Delhi businessman.

The Central Bureau of Investigation, a federal agency, said it was also seeking prosecution of Mr Madan Lal Khurana, chief minister of Delhi state and a leading member of the opposition Bharatiya Janata Party. Mr Khurana resigned yesterday.

The fresh charges and any prosecution of Mr Khurana would bring to 25 the number of top politicians from India's main parties accused in the Rs600m ($16.5m) political payments affair.

The scandal has rocked India's political establishment and bitten deeply into the governing Congress party, which has now lost seven sitting ministers and several other political heavyweights to the case.

This second batch of charges, made at the Supreme Court, included four ministers who resigned earlier this week, three former Congress ministers and Mr Sharad Yadav, a leader of the leftwing opposition Janata Dal party. Also charged was Mr N.D. Tiwari, an ex-Congress minister who last year spearheaded a breakaway faction.

Ten politicians, including three ministers and the leader of the BJP, Mr L.K. Advani, were charged in January. This was on the basis of allegations in notebooks and testimony from Mr Surendra Jain, a businessman on bail for charges of dealing in illegal currency transactions, offering payments for favours and acting as a conduit for "kickbacks" to win deals for third parties. Mr Jain's evidence forms the basis for the latest charges.

At least 22 more politicians, including ministers, remain under investigation by the bureau, which said it was preparing further charges.

The Indian Express newspaper yesterday quoted bureau officials as saying allegations against Mr P.V. Narasimha Rao, the prime minister, were "devoid of truth".

The scandal has enmeshed leaders from all but India's communist parties, but the toll has been heaviest in the Congress party. The loss of seven of the government's more than 60 sitting ministers may prove manageable, but the affair has caused deepening unease in the governing party, with elections due in April.

An internal party row over whether Congress MPs touched by the scandal should be allowed to contest the polls is brewing.

Editorial Comment, Page 21

Thomson chief quit before he could sign GEC deal

By Bernard Gray and Hugo Dixon in London

Thomson-CSF, the defence electronics arm of Thomson, and the UK's General Electric Company were on the point of signing a worldwide joint venture to pool their sonar businesses when Mr Alain Gomez, the French defence group's president, resigned earlier this week.

Mr Gomez and Lord Weinstock, GEC's managing director, were also in advanced discussions about forming a joint holding company encompassing the sonar business, a venture for future airborne radar and several other operations where they could combine their expertise.

The rapid pace of these international talks is thought to have provoked hasty announcements from the French government over the proposed sale of Thomson, and that Dassault and Aérospatiale, the two French aircraft makers, were to merge. Many senior figures in the French defence industry were away from Paris when the announcements were made.

Both GEC and Thomson-CSF saw such ties in particular business sectors as precursors to an overall joint venture which would pool all of their defence electronics interests.

However, the French government wants to rationalise the electronics industry to improve its negotiating position before forming international alliances. The sudden decision to sell Thomson as a whole was widely being interpreted as a direct snub to GEC yesterday.

While the government would like to negotiate a sale of the whole of Thomson SA, which includes consumer electronics as well as defence equipment, electronics industry executives yesterday cast doubt on whether the combined company could be sold.

Neither of the two mooted French buyers – Lagardère Group, the defence and publishing company, and Alcatel, the telecoms group – are thought to have sufficient capital to buy the company unaided. A stock market flotation of Thomson, including the lossmaking consumer side, may also prove difficult.

Given the difficulties of sale, GEC is unlikely to abandon its ambitions to form an alliance with Thomson-CSF. GEC has cash resources which the French industry needs. But the French government's refusal to enter into joint ventures with international partners which France does not control is likely to remain a barrier.

Defence executives in Britain and Germany are sceptical that the proposed changes would do a great deal improve the competitiveness of the French defence industry.

Struggle to fly to top, Page 21
Sale of two halves, Page 17

THE LEX COLUMN

Growth pains

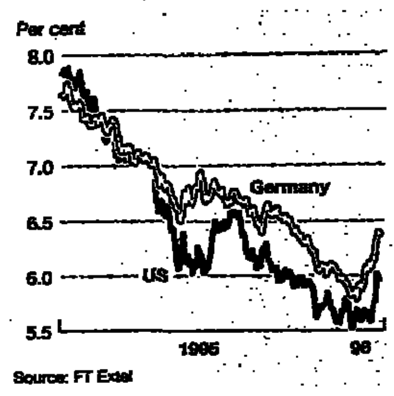
The recent weakness in the world's bond markets is making investors nervous, and for good reason. The pattern bears a worrying resemblance to the first quarter of 1994, when the last bull market suddenly turned bearish. That downturn, the start of a dire year for financial markets, was prompted by a reversal in US monetary policy. But there was another reason for the sharpness of the turn; markets had performed particularly strongly in 1993.

So far this year, there has been no sign of any turnround in monetary policy. But the increasing emphasis on generating economic growth has shaken the world's markets, largely because inflationary fears had been so fully discounted. The fear is that targeting growth will allow inflationary pressures to reappear, causing rates to rise sharply. And bonds and equities are vulnerable to such concerns because they are already looking expensive. Furthermore, investors have nowhere to hide; low short-term rates make the prospect of sitting it out in cash an unattractive one.

Having said that, 10-year US bond yields, now back at 6 per cent, already look more sustainable. Provided the US treasury market provides a stable backdrop, other markets may continue to move ahead – and probably to outperform. But a reversal in US bonds would be a difficult trend to buck.

FT-SE Eurotrack 200: 1645.1 (+15.1)

10-year bond yields



Mannesmann

The case for demerging Mannesmann's telecommunications arm is becoming stronger all the time. Telecoms accounted for 8 per cent of sales but probably around half of the engineering conglomerate's DM900m (£396m) profits in 1995. Mannesmann's D2 digital mobile phone network is a gem. With almost 1.5m subscribers, growing at 60,000 a month, it is level-pegging with DeTeMobil, the mobile offshoot of state-owned Deutsche Telekom. After heavy investment, D2 now has a national network and should turn strongly cash positive over the next two years. Armed with five years of hard-won experience, Mannesmann has formed a promising-looking consortium with Veba, AT&T of the US and the UK's Cable and Wireless to challenge Deutsche Telekom once Germany's fixed telecoms market is liberalised in 1998.

Valuing the telecoms division on a discounted cash flow basis produces a figure of between Dm13bn and DM18bn, alarmingly close to Mannesmann's entire capitalisation of less than DM19bn. That suggests the stock market is placing little value on the group's machinery, automotive and tube businesses, which had turnover of nearly DM30bn last year, despite the fact that they are virtually debt-free. True, their overall profitability is poor, with margins of around 2 per cent. But that is being addressed through a restructuring programme. Spinning off telecoms would have the twin benefits of attracting a higher rating for that part of the business while focusing attention on the recovery potential elsewhere.

British Gas

What unsettled British Gas shares yesterday was the news that the company expects to lose £400m next year in the business market. But it is precisely grim figures like these which underpin the logic of the company's demerger. The demerger does not remove the trading business's problems, but at least it leaves intact the capacity of the rest of the business to pay dividends.

There is in fact good reason to believe British Gas's shares are undervalued. Even if it had to cut its dividend, the value of TransCo International alone should not fall far short of British Gas's current share price. And although British Gas Energy will be a highly speculative investment, it will still have some value.

But British Gas is only for those willing to take a long view. TransCo's value will not be clear until a big regulatory battle has been fought. And renegotiating BGE's long-term contracts could take years. There is no reason for gas producers to budge until the separated BGE is clearly facing big financial problems. In the meantime it is conceivable that British Gas will persuade the Monopolies and Mergers Commission or the government to ride to its rescue. But investors would be mad to count on it.

Rank

Mr Michael Gifford is bowing out from 12 years as chief executive of Rank Organisation on a solid set of figures, and he leaves his successor, Mr Andrew Teare, well placed for a profits upswing. Declining sales of Lottery scratch cards suggest the worst is over for Rank's bingo business, which was hit hard by the onslaught of the National Lottery. Meanwhile interest rate cuts and building society hand-outs should encourage greater UK leisure spending.

Nonetheless, this recovery is in the price. The shares are trading at a 15 per cent premium to the market on 1996 forecasts, if one includes just dividend income from the Rank Xerox stake. Of course, capital expenditure is rapidly accelerating, but the ongoing development of Oasis villages is costly – at up to £100m a pop – long-term and the concept is as yet unproven.

There is much Mr Teare could do to boost Rank's shares. More detailed disclosure would identify value within Rank's current loose business groupings. Disposals or flotations of individual businesses could realise higher valuations on operations from casinos to film studios. And, after all, if Planet Hollywood is worth $1bn, Rank's Hard Rock cafe subsidiary looks like a hidden asset.

Rentokil/BET

Rentokil's offer to buy only 75 per cent of BET in return for a recommendation from BET's board is a clever bit of public relations. Having rushed into a hostile bid, Rentokil is trying to reclaim the high moral ground and save itself time, trouble and fees. By rejecting the overture, BET looks churlish. Its argument – that a partial offer would crystallise capital gains tax liability – could be overcome, if Rentokil bought the whole then spun off the rump. BET's real objection is that the rump would be too small to satisfy its ambitious management.

Additional Lex comment on Nationwide, Page 29

Emu fears hit German bond issue

Continued from Page 1

bids. The bid volume of DM4.2bn was lower than usual. Of the full issue, DM1.2bn is for direct sale to investors, with the Bundesbank taking up DM4.6bn for market smoothing operations.

Mr Mark Fox, European strategist at Lehman Brothers, the US investment bank, called it a "somewhat bizarre saga". There were errors in how the auction was handled, and bids were disappointing. "I suspect domestic investors are not buying because they worried about Emu."

But the bond market's decline had also affected sentiment, he said.

Other economists said banks had fewer inhibitions about making low bids for Bobls because they did not have to support their role in a consortium.

Paris makes nuclear cuts

Continued from Page 1

the globe. Chirac's announcement of the closure of the Pierrelatte plant, which produces enriched uranium and plutonium, was intended to unblock negotiations in Geneva for a Comprehensive Test Ban Treaty and was his second major initiative to achieve a total end to nuclear tests, diplomats said. France, which ended its nuclear tests in the South Pacific on January 27, is the first of the five official nuclear powers – the others are the US, Russia, Britain and China – to have gone so far in bids to cut the nuclear threat.

British Rail accused of stifling access to Channel tunnel

By Charles Batchelor in London

Freight operators yesterday accused British Rail of trying to stifle competition on routes between the UK and continental Europe by trying to snatch all the available "paths" between London and the Channel tunnel.

Railfreight Distribution, the BR subsidiary which operates trains through the tunnel, is understood to have reached a provisional agreement with Railtrack, owner of the track and signalling, to acquire all the 35 daily "paths" in the railway timetable.

The route covered by the agreement runs from Railfreight Distribution's depot in Wembley, west London, to the Dollands Moor freight terminal at the entrance to the tunnel.

As BR is privatised, operators of freight and passenger trains must bid for "paths" – slots in the timetable – and pay Railtrack access charges depending on the type of train used and the time of day. At the moment, "paths" are used according to a deal reached with BR in 1994.

The Rail Freight Group, which represents freight operators and their customers, says if the rail regulator approves Railfreight Distribution's new deal, its members and the private companies operating freight terminals would be shut out of the routes for the next three years. Railfreight Distribution would have an effective monopoly over shipments through the Channel tunnel, it argues.

Selling all the available train paths to one operator would contravene European Union regulations, which require international rail links between member states to be open to competition.

The European Commission last year told the UK and French railways to give up 25 per cent of their share of tunnel capacity to rival freight or passenger operators. Railfreight Distribution had no comment on confidential contracts but it thought other paths were available to its rivals.

At present no other freight operators provide services through the the tunnel – shippers have to buy space on wagons run by Railfreight Distribution. But new companies entering the industry may want to start services, one freight expert said. "We are considering running our own trains and would want our own paths at some stage in the future," one freight mover said. "We objected to Railfreight Distribution's agreement."

Wisconsin Central Transportation of the US is due to complete the acquisition of BR's heavy haul freight operations tomorrow while two other companies, British Nuclear Fuels and National Power, began domestic freight services at the end of last year.

Railfreight Distribution is running about 20 trains a day each way through the tunnel. But while traffic volumes are increasing it is unlikely to require all 35 paths for long. Signing up all 35 would, however, make the company more attractive when it is sold to the private sector.

The rail regulator's office said it was still considering the agreement between Railfreight Distribution and Railtrack and it expected to give a ruling soon.

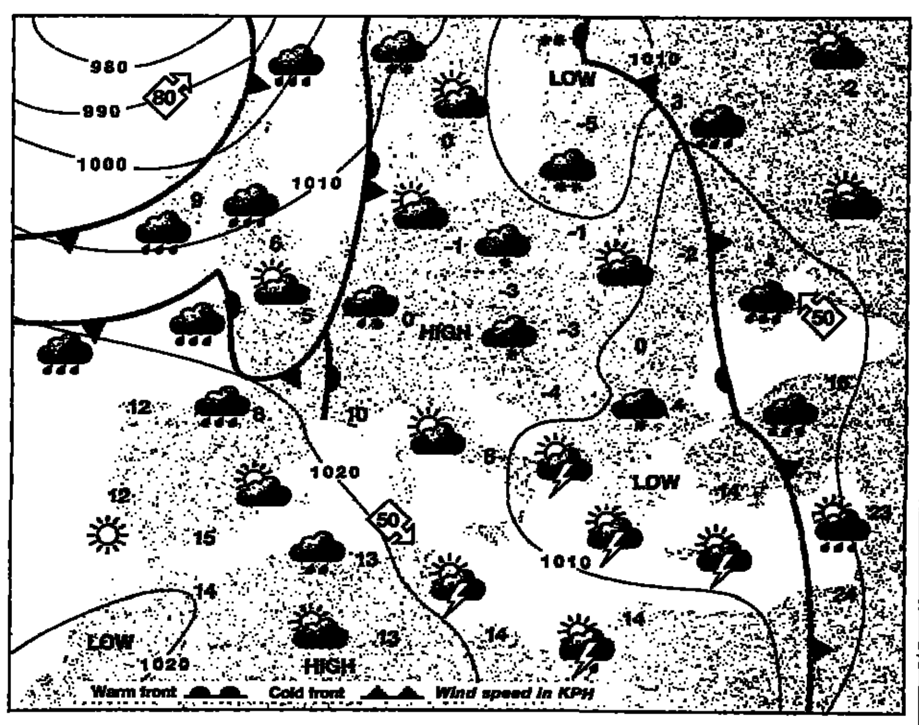
FT WEATHER GUIDE

Europe today

Frontal systems moving in from the Atlantic will influence conditions in western Europe. The British Isles and western France will have rain and strong but mild south-westerly winds, while a weaker frontal system across Norway, the North Sea, the Benelux and eastern France will bring cloud and some snow. Germany, Poland, the Alps and the Balkan states will remain cold with frost and some snow. Most of Spain and Portugal will have widespread sunshine, with temperatures reaching 15C along the costas and the Algarve. Rain will persist along the north coast of Spain. Heavy rain is expected over Turkey, the Black Sea, the Ukraine and Russia, and Greece, former Yugoslavia and southern Italy will remain unsettled with thundery showers.

Five-day forecast

High pressure from the Atlantic will move eastwards over southern Europe, bringing more settled conditions to central Europe and the Mediterranean. During the weekend increasing south to south-westerly winds will draw milder air towards western Europe, bringing cloud and rain, especially over the British Isles, western France and Portugal. Eastern and northern Europe will remain frosty.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

Maximum Celsius

Abu Dhabi	fair	24
Accra	fair	32
Algiers	cloudy	13
Amsterdam	cloudy	4
Athens	rain	12
Atlanta	fair	24
B. Aires	shower	32
B.ham	cloudy	7
Bangkok	fair	33
Barcelona	fair	11
Beijing	sun	4
Belfast	rain	6
Belgrade	snow	-3
Berlin	fair	-1
Bermuda	fair	22
Bogota	fair	20
Bombay	sun	31
Brussels	cloudy	4
Budapest	cloudy	-4
C.hagen	cloudy	0
Cairo	fair	24
Cape Town	fair	20
Caracas	fair	30
Cardiff	rain	9
Casablanca	fair	14
Chicago	fair	11
Cologne	cloudy	1
Dakar	sun	32
Dallas	windy	26
Delhi	sun	28
Dubai	fair	23
Dublin	rain	9
Dubrovnik	rain	7
Edinburgh	rain	7
Faro	sun	14
Frankfurt	cloudy	1
Geneva	snow	2
Gibraltar	sun	13
Glasgow	rain	6
Hamburg	cloudy	-1
Helsinki	snow	-7
Hong Kong	rain	11
Honolulu	fair	25
Istanbul	rain	10
Jakarta	shower	30
Jersey	rain	7
Karachi	fair	30
Kuwait	fair	21
L. Angeles	fair	17
Las Palmas	fair	20
Lima	fair	26
Lisbon	sun	12
London	cloudy	6
Lux.bourg	cloudy	0
Lyon	sleet	1
Madeira	shower	16
Madrid	fair	11
Majorca	fair	12
Malta	shower	12
Manchester	cloudy	6
Manila	cloudy	30
Melbourne	sun	29
Mexico City	sun	24
Miami	sun	28
Milan	hazy	7
Montreal	fair	4
Moscow	rain	4
Munich	snow	-2
Nairobi	fair	30
Naples	fair	8
Nassau	fair	27
New York	cloudy	6
Nice	sun	10
Nicosia	thund	18
Oslo	cloudy	-3
Paris	cloudy	5
Perth	sun	36
Prague	snow	-2
Rangoon	fair	32
Reykjavik	blizzrd	-1
Rio	rain	33
Rome	fair	8
S. Frsco	fair	12
Seoul	fair	5
Singapore	cloudy	30
Stockholm	fair	-6
Strasbourg	cloudy	2
Sydney	cloudy	23
Tangier	sun	14
Tel Aviv	fair	22
Tokyo	fair	10
Toronto	cloudy	5
Vancouver	rain	7
Venice	fair	6
Vienna	cloudy	-3
Warsaw	snow	-1
Washington	cloudy	11
Wellington	fair	17
Winnipeg	fair	-2
Zurich	cloudy	0

NEWS: THE AMERICAS

Fighting for the party's heart and soul

Jurek Martin finds Republicans fragmented over the battle for the presidential nomination

So who, after the presidential primary vote in New Hampshire, owns the heart and soul of the US Republican Party? Could it possibly be Mr Pat Buchanan, the narrow winner, with his right-left punch of moral absolutism and economic nationalism? Is it Senator Bob Dole, or his younger and "lite" rival, Mr Lamar Alexander, guardians, with wrinkles, of the orthodox faith?

And what about Speaker Newt Gingrich, principal author of the Republican party's Contract with America, which hardly raised its head above New Hampshire's granite parapet?

Yesterday morning's answer is: none of the above. Just about the only unanimity discernible outside the Buchanan camp is the conviction that the commentator-politician has no prayer of winning the party's presidential nomination, let alone the White House itself.

As Mr Vin Weber, former congressman from Minnesota and a Dole supporter, put it on behalf of the Republican establishment: "Do we really want to beat Bill Clinton? Are we going to get serious about nominating the next president or are we going to continue to play games?"

Mr Malcolm Wallop, former senator from Wyoming and as orthodox a conservative as they come, goes further. Mr Buchanan, he says, is nothing less than a "socialist", one of the dirtiest words in US politics, for his assault on Wall Street, the Fortune 500 and everything else that conventional Republicans hold dear.

Mr Buchanan has an answer to all this. The "knights and barons" of the party are retreating in fear from his "peasants with pitchforks", the under-paid and under-employed who pin the blame for their plight on big government, corporate America and foreign competition.

It is a populist argument that economists may rebuff, but without being heard on the hustings. The cover of the latest US edition of Newsweek magazine tells it all: Corporate Killers, the headline screams, with snapshots of the chief executives of AT&T, IBM, Scott Paper and Digital Equipment. Underneath is a line that could have been written by Mr Buchanan: "Wall Street loves layoffs. But the public is as scared as hell."

The Buchanan blue-collar constituency migrated briefly to the Republicans when Ronald Reagan was president, but, in 1992, it went back to the Democrats or was siphoned off by the independent candidacy of the Texas businessman Mr Ross Perot. It still may not amount to a majority – the combined New Hampshire total on Tuesday for Mr Buchanan and others of similar views came to less than a third of the vote – but it is noisy.

It is possible that Mr Buchanan's victory has flushed out the real Bob Dole, after a mumbling, mean-spirited campaign in New Hampshire that deserved its result. In the most grudging speech heard from a conceding loser in many a moon, Mr Dole finally laid down his cards.

He regally dismissed Mr Alexander: "It's a two-man race for now and it's a one-man race soon." Addressing Mr Buchanan – but never by name – he finally spoke of the "fight for the heart and soul of the Republican Party", between "fear or hope, anger or optimism about the future."

The problem with this proud challenge, as has been the case throughout his campaign, is that the Senate majority leader moves with the prevailing winds.

Already he has begun to promise a "more aggressive" policy on US trade policy, differentiated only from Mr Buchanan's unilateralism in that a Dole administration would use "the weapons given to us by Congress" to force "fair" trade.

Mr Buchanan wants the US out of the United Nations and its conspiratorial "new world order" as perceived by the extremes of left and right in the US. The Dole difference is only of degree, as he attacks the person and performance of Mr Boutros Boutros-Ghali, UN secretary-general.

At least the gimmick-laden Mr Alexander – exquisitely characterised in the same edition of Newsweek by the columnist Joe Klein as having "less zing to him than unflavoured yoghurt" – had seemed more willing to take on Mr Buchanan in substantive areas.

Yesterday morning, for example, he picked up Mr Wallop's theme and tarred Mr Buchanan with the liberal Democratic brush for pursuing "the labour policies of Ted Kennedy, the trade policies of Dick Gephardt and the foreign policies of George McGovern." But his first battle is with Mr Dole.

What of the hitherto silent Mr Gingrich? On Monday, the Speaker of the House of Representatives finally came out and said that a Buchanan nomination meant the probable loss of the Republican majority in the House. Mr Buchanan countered that the speaker had better "learn to live" with the prospect of his presidential candidacy.

The two self-styled revolutionaries could hardly be more different, odd though it is to cast Mr Gingrich in any conventional mould. But he did support the North American Free Trade Agreement and the resolution of the trade negotiations on the Gatt, and he must be deeply disappointed that Mr Buchanan has come as far as he has without preaching the virtues of a balanced budget and lower taxes.

Mr Gingrich is not a bosom buddy of Mr Dole and he probably views Mr Alexander's support for his Contract with America as a tactical convenience. It may also be that the speaker's prized radical freshmen class in the House harbours more sympathy for Mr Buchanan than Mr Gingrich would like to admit. That class entered Congress after Nafta and Gatt were passed, and they frequently talk more the language of Main Street small business than that of Wall Street.

What all this presages, apart from a re-election of President Bill Clinton in November, is a Republican convention in August, over which Mr Gingrich wants to preside, that could make the party's ideologically riven gathering in Houston in 1992 look like a tea party. That nightmare for the party establishment could be avoided only if Mr Dole, still with the edge in money and national organisation, is somehow strengthened by his current ordeal and appears less old, inarticulate and shopworn than he does now, or if Mr Alexander, whom some in the White House are said to fear, catches real fire.

For all that, the Buchanan forces will be at Houston in numbers, not shouting from the galleries as they did four years ago but on the floor as delegates and demanding, as a bare minimum, that the party platform be to their liking. The Democrats, from their conventions of 1968 and 1972, know what it is like to be in such an ideological pickle and what the consequences are.

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US ELECTIONS November 5

New Hampshire Republican primary results*

Pat Buchanan	27%
Bob Dole	26%
Lamar Alexander	23%
Steve Forbes	12%
Richard Lugar	5%
Alan Keyes	3%
Morry Taylor	1%

*Reuter reporting counts in 277 of 300 precincts, or 92% of the vote

The winner in the first primary: Pat Buchanan, leading "peasants with pitchforks" Reuter

Fed chairman shows 'born again' spirit

Shrewd Greenspan gives Clinton extra cause to back him for third Fed term, Michael Prowse writes

As a shrewd political operator, Mr Alan Greenspan, the Federal Reserve chairman, is leaving nothing to chance.

On Tuesday, delivering his half-yearly monetary testimony to Congress, he emerged as a "born-again Reichian", a supporter of the "investing in people" agenda pushed hard by Mr Robert Reich, the Labour Secretary, and President Bill Clinton.

Mr Greenspan seemed to be signalling his commitment to crucial aspects of Mr Clinton's economic agenda even though the White House has indicated it sees no alternative to his appointment to a third term as Fed chairman.

Mr Clinton is not entirely happy with Mr Greenspan: he thinks the Fed chairman could have done more to promote economic growth.

But Mr Clinton has been unable to find an alternative candidate acceptable to both Wall Street and the Republican senators who must confirm Fed nominees.

An announcement on Mr Greenspan's future – and candidates for other Fed vacancies – is expected shortly, perhaps this week.

Addressing concerns raised in the New Hampshire primary, Mr Greenspan said that fears about "job insecurity" were justified because many workers were not keeping pace with rapid technological change.

The solution lay in a "renewed commitment to effective education and training, especially on-the-job training". US business needed an incentive to put greater emphasis on "human capital" – that is, the skills of the workforce.

"I closed my eyes and thought I heard the voice of Robert Reich," said a bemused Democrat on the House banking committee.

Mr Reich, a strong intellectual influence on Mr Clinton, is widely regarded as one of the most left-wing members of the Clinton administration.

Mr Greenspan's Fed term expires on March 2. Yet although he seems assured of renomination, Clinton aides are still agonising over choices for two other openings: the vice-chairmanship held until last month by Mr Alan Blinder, a Princeton economist, and the board seat of Mr John LaWare, a Boston banker who resigned last year.

The short list for the two positions is thought to include Mr Laurence Meyer, an economic forecaster and professor at Washington University in St Louis, Mr Eugene Ludwig, the comptroller of the currency, Mr Robert Shapiro, an economist at the Progressive Policy Institute (a Democratic think-tank), and Mr Peter Kenen, a Princeton academic specialising in international economics.

However, Mr Mike McCurry, the White House spokesman, said other people, not on this list, were also being considered.

Mr Clinton is known to favour a "pro-growth" candidate for the Blinder vacancy – someone who would challenge the conventional wisdom that sustained growth of more than 2-2.5 per cent a year is impossible.

His first choice was Mr Felix Rohatyn, the New York investment banker. However, Mr Rohatyn, long an advocate of higher social spending and government intervention to spur growth, was forced to withdraw following vigorous opposition from Senate Republicans.

The White House still hopes to present Congress with a "package deal" in which Mr Greenspan's renomination would be balanced by other nominees more acceptable to Democrats.

However, there is nothing to stop Republicans confirming Mr Greenspan and rejecting the other candidates if they seem ideologically unattractive.

In his congressional testimony, Mr Greenspan responded to Mr Clinton's criticism that the Fed was not sufficiently pro-growth.

He noted that the Fed had cut interest rates recently as a form of "monetary insurance", even though it was confident that signs of weakness in December and January would prove temporary.

He forecast growth this year at an annual rate of 2-2.25 per cent and inflation of 2.75-3.0 per cent.

Since these projections are almost identical to those published last week by White House economic advisers, he was signalling that, in terms of numbers, he is no less optimistic on the economy than Mr Clinton.

In addition, Mr Greenspan pointed to the 1994 boomlet as evidence that the Fed was not under-estimating the economy's long-term growth rate.

Growth of 3.5 per cent that year led to a sharp rise in industrial capacity utilisation and other signs of over-heating, which would not have happened were the economy capable of sustaining this pace of growth.

Evidence restores probe of Colombian campaign cash

Samper case re-opened

The inquiry into alleged drug cartel funding of Colombian President Ernesto Samper's election campaign in 1994 is re-opening the case, in response to evidence from Mr Alfonso Valdivieso, prosecutor-general, writes Sarita Kendall in Bogotá.

The congressional commission had closed its inquiry in December for lack of proof of involvement by Mr Samper, but Mr Valdivieso has accused him of electoral fraud and illicit enrichment.

If the commission now decides there is sufficient evidence for formal charges, the case will go to the House of Representatives, which can then send the president for trial by the Senate. This could lead to his impeachment, with the Supreme Court to rule on any criminal charges. The whole process could take months.

The prospect of a long political crisis has moved Colombia's main private sector organisations to repeat their call for Mr Samper to step aside while he defends himself. In a statement, they warn of his decreasing credibility and erosion of his ability to govern.

The statement also calls for transparency and impartiality, in a clear reference to the senators and representatives in the president's Liberal party under investigation for alleged receipt of drug money.

Mr Valdivieso formally indicted the president last week, as part of his office's probe into drug-linked corruption among congressmen and senior public officials.

The charges prompted Mr Samper, who denies any wrongdoing, to call for a quick hearing and urge Congress to accept a bill presented by his government to make the inquiry public. He has repeatedly rejected calls to resign amid allegations he knew about his campaign having received about $6m from the Cali drug cartel.

Reuter reports: Mr Rodrigo Villamizar, Colombian mines and energy minister, said yesterday the state oil company Ecopetrol had offered 16 foreign oil companies the chance to participate in two shared-risk ventures to explore for oil in the eastern plains. The two areas, near the giant Cusiana and Cupiagua oil fields, have combined estimated crude oil reserves of 720m barrels.

Argentine minister in salary top-up rumpus

By David Pilling in Buenos Aires

Mr Domingo Cavallo, Argentina's economy minister, has found himself at the centre of controversy after revelations that, in 1994, he paid taxes equivalent to only $5,009 on income of nearly $260,000.

A leaked copy of Mr Cavallo's tax return, made public this week on the television programme Día D, showed that the minister, in addition to his 1994 taxed income of $59,137, received a *sobresueldo* (a top-up salary) of $107,627, or about $9,000 a month.

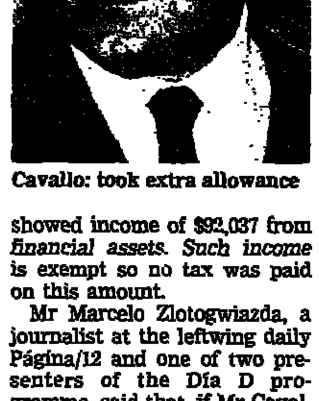
The revelation raises questions about the transparency of the Argentine administration, particularly because Mr Cavallo has made a war against tax evasion and corruption a centrepiece of his economic reforms.

Suggestions that the documents could have been leaked by a fellow cabinet member also raised concerns about a possible renewal of damaging tension at the heart of the administration.

Mr Cavallo's return showed he paid no tax on the top-up, received as a "protocol allowance". Government officials were divided yesterday as to whether such an allowance, paid in accordance with a presidential decree of 1994, should be exempt from taxation or not. There was no suggestion that the payment itself was illegal.

Mr Horacio Crespo, partner at Coopers & Lybrand Argentina, said that "protocol allowances" were exempt from tax until March 1995, when the law was changed. Cash for such payments, he said, came from "reserved funds" attached to the presidency. "The president makes use of these reserved or secret funds [partly to pay ministers' *sobresueldos*] and each year there is a decree – also secret – saying how the money was spent."

In addition to the top-up, Mr Cavallo's tax declaration also showed income of $92,037 from financial assets. Such income is exempt so no tax was paid on this amount.



Cavallo: took extra allowance

Mr Marcelo Zlotogwiazda, a journalist at the leftwing daily Página/12 and one of two presenters of the Día D programme, said that, if Mr Cavallo's protocol allowance had not been exempt, the minister would have paid about $45,000 in tax. Mr Zlotogwiazda described as "unethical" the indication that a man in Mr Cavallo's position seemed to have a portfolio of stocks and bonds.

Mr Cavallo described as "lies and slander" suggestions that his actions were anything but above board. All ministers, whose regular salaries had tended to be low, received a "protocol allowance", he said. On Tuesday, several cabinet ministers declared that they too received such *sobresueldos*, ranging from $2,000 to $6,000 a month.

Mr Ricardo Gutiérrez, economy secretary, was quoted yesterday as saying that Mr Cavallo's declaration of his "protocol allowance" demonstrated his honesty. Ms Maria Luisa Mac Kay of the newspaper Clarín wrote yesterday: "Cavallo gave details of his personal assets, perhaps more than any of his colleagues, down to the last cent."

"Cavallo is probably the cleanest member of the cabinet," agreed one investment banker yesterday. "He's probably one of the few ministers who could show his tax statement in public." However, the banker added, top-up payments might well be considered "improper" elsewhere. "We all know there is a lot of cleaning up to do."

Allies of Mr Cavallo, pondering the question of who leaked the tax return, said there might be a campaign against the minister from within the cabinet. Mr Cavallo last year had unleashed months of bitter in-fighting by suggesting that "mafias" were operating in conjunction with some elements of Argentina's Peronist administration.

That political tension, which caused stocks and bonds to plummet last September, has since died down, helping a 40 per cent recovery of the stock market. "My main concern is that this doesn't open another battle within the cabinet," said one analyst.

Crime in US pays better than entry-level jobs, says economist

Crime not only pays, in the US it pays better than entry-level jobs, according to a Harvard University economist, Reuter reports from New York.

If employers could raise hourly wages to the point where the jobs paid more than youths can make from crime, Mr Richard Freeman believes, those employers would help to cut crime.

Mr Freeman – also head of labour studies at the National Bureau of Economic Research in Boston – said youths in that north-eastern US city can make about 25 per cent more an hour from crime – or about $10 an hour – than they can earn from an entry-level job.

So he wants the US government to order employers to increase the $4.25 minimum hourly wage. In return, the government would rescind the part of the payroll tax which employers meet – money used to pay the costs of an employee's Social Security and Medicare – so they wouldn't lose out.

Doing this for low-income workers, said Mr Gary Burtless, senior fellow in economic studies at the Brookings Institution in Washington, would involve not much money and "wouldn't cost the government a lot."

If employers "rebated the entire payroll tax savings to workers, that would increase their pay by about 8 per cent a week," Mr Burtless said. "But, of course, many employers might keep part of the tax savings for themselves."

Mr Burtless said he favours raising the minimum wage, but he did not think that it was "absolutely clear" that there was a relationship between crime and the minimum wage.

The picture Mr Freeman's research presents is one of young males who "forage" for dollars by whatever means they can. Those who commit crimes don't necessarily prefer this to work, he claimed. Many youths, he said, both work and steal.

CONTRACTS & TENDERS

MINISTRY OF TRANSPORT, POSTS AND TELECOMMUNICATIONS OF THE SLOVAK REPUBLIC

THE INTERNATIONAL PUBLIC TENDER - GSM

1. The Ministry of Transport, Posts and Telecommunications of the Slovak Republic (hereinafter the Ministry), acting on the powers received in the Telecommunication Act n. 110./1964 and its amendments n. 150/1992 and n. 96/1993 hereby **announces an international public tender for *implementation and operation of GSM networks on the territory of the Slovak Republic and provision of GSM services.***
2. On the basis of current legislation and GSM Recommendations the Ministry intends to grant 2 (two) Licences to provide public mobile telecommunication services according to the Global System for Mobile - GSM - communications standards using equal number of frequencies in the frequency bands of 890-908 MHz and 935-953 MHz.
3. The Invitation to Tender will be provided to Bidders against a non refundable payment in amount of **USD 500** (or equivalent amount in convertible currency of Slovak Crowns in case of Slovak Bidders) in favour of the Ministry of Transport Posts and Telecommunications of the Slovak Republic.

   Bank name: **the Slovak National Bank, Bratislava**
   Bank account number: **19-9926-002/0720**
4. A complete set of Bidding Documentation in English language may be taken over in the Telecommunications Department of the Ministry from **February 29, 1996** upon the presentation of a receipt of payment as stated in 3.
5. Bidders may obtain further information about the bidding documents at the following address:

   Official address: Ministry of Transport, Posts and Telecommunications
   nám. Slobody 6
   P.O. Box 100
   810 05 Bratislava
   Slovak Republic

   Address of Telecommunications Department of the Ministry where the Bidders may receive the bidding documents:

   Mileticova 19, Bratislava

attention to:	Ms. Erika Mala	Mr. Viliam Podhorsky
room number	701	702
tel. number:	+42 7 253 752 or +427 5432 279	+ 42 7 5432 221
fax number	+ 42 7 526 1982	+ 42 7 526 1982

6. All Bids must be delivered to the above office on or before **10.00 a.m. local time on May 10, 1996** and must be accompanied by a security of **USD 200 000** (or equivalent amount in convertible currency or Slovak Crowns in cash in case of Slovak Bidders). The Offer Guarantee must be presented in a form of a bank guarantee issued by the Slovak Post Bank.
7. Into international public tender such bidders cannot participate who:
   a) did not buy Invitation to Tender (in accordance with issue 3 and 4.)
   b) did not pay a non-refundable payment for Invitation to Tender (in accordance with issue 3.)
   c) did not send its Bid in time including bank guarantee (in accordance with issue 6.)

NEWS: INTERNATIONAL

Zaire's efforts to encourage repatriation has exposed the sophistication of the camps

Rwandan refugees adapt to adversity

By Michela Wrong in Goma, east Zaire

Boulevard Makombé is eerily quiet these days. The Café Du Thé, where locals would gather for goat brochette, washed down with a bottle of Primus beer, has closed. So have the scores of other tiny restaurants, bars and clothes shops lining this once-busy avenue. Only a few sad piles of cabbages and spring onions are on offer, perched forlornly on wooden stands.

Like a city paralysed by a general strike, the Rwandan refugee camp of Kibumba, home to 190,000 Hutus, has been engulfed by ennui since Zairean troops took up position around it last week, with orders to close all non-essential commercial activities and stop the constant to-and-fro of refugees entering and leaving.

Groups of young men, no longer allowed to trade in the teeming settlement or to work in neighbouring fields and building sites, stand by the roadside, plunged into torpor.

The government's action, aimed at triggering a mass voluntary repatriation from the settlements on Goma's volcanic soil, has exposed the extraordinary sophistication of the camps 19 months after they were established in chaos and confusion by Hutus fleeing the Tutsi-dominated Rwanda Patriotic Front.

Aid workers say the level of commercial activity taking place in the settlements in Zaire's border region is unique in their experience. "I've worked in Mozambique, Somalia, Burundi and Yugoslavia, and I've never seen anything like this. Never," comments a UN High Commissioner for Refugees official.

A UNHCR survey carried out last year in Goma's four largest camps gives an idea of just how thoroughly the refugees have adapted to adversity. It listed nearly 82,000 thriving enterprises, including 2,324 bars, 450 restaurants, 589 shops, 62 hairdressers, 51 pharmacies, 30 tailors, 25 butchers, five ironsmiths, four photographic studios, three cinemas, two hotels and one abattoir.

Markets in the camps were so well-stocked with vegetables, grown on the tiny refugee plots, and western-manufactured commodities that Zaireans headed out to the settlements to do their shopping.

Meat here, suspected to come from rustled cattle, is cheaper than in Goma. Until last year, when the buses were seized by Zairean officers, the refugees even ran their own transport service between the camps and Goma, using buses Japan once contributed to the former Rwandan government.

Hutu gunmen who fled Rwanda after losing a civil war are fighting a local tribe to try to take over an area in eastern Zaire, aid officials and tribal leaders say, Reuter reports from Minova, Zaire. Heavily armed members of Rwanda's Hutu interahamwe militia have forced 150,000 people from their homes in the Masisi region, witnesses said.

The Interahamwe are fighting against members of the Hunde tribe who say their only weapons are spears and machetes. Hunde tribal leaders in Masisi accused Zairean authorities of allowing Rwandan Hutus to encroach on their traditional land.

No reliable estimates of casualties from the clashes were available.

While the extent of private enterprise is a tribute to the resourcefulness of the Hutu community, aid workers say other factors helped contribute to the setting-up of a flourishing business community.

Many of the refugees, perhaps aware that their exile was not going to be a short one, arrived laden with war booty stripped from abandoned houses on the way in, assets later used as start-up capital.

In the first horrific months, as cholera swept through the camps and killed tens of thousands, aid organisations rushed in supplies of food, plastic sheeting and utensils, often unknowingly duplicating their colleagues' work.

"There were scores of non-governmental organisations doing their own thing, without consulting each other," an aid official said. "There was over-distribution of supplies and it was inequitable: the strongest got them and stockpiled. It all helped to jump-start the camp economy."

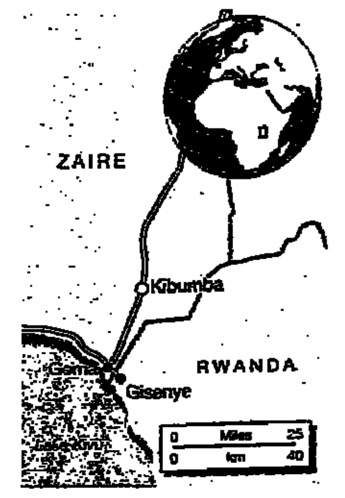
By closing the businesses, on the grounds they have not paid Zairean taxes and are therefore illegal, the authorities want to remind the Hutus they are refugees, reliant on food handouts and the indulgence of their host-country, while making it clear the camps are not going to be allowed to become permanent installations.

They are simultaneously targeting a community that has played a big role in keeping the refugees outside Rwanda: the exiled leaders who officially claim to support repatriation but privately tell the refugees they risk death at the hands of Tutsis seeking revenge for the 1994 genocide.

"It's not applying pressure to the mass of refugees, it's applying pressure to the leaders, who are often the same people as the shop-owners," Mr Carroll Faubert, UNHCR special envoy to Rwanda, said.

"It's economic pressure, yes, but aimed at a particular group that for the time being is actively opposing repatriation." While such activities have been kept in check in other countries hosting Rwanda's refugees, such as Burundi and Tanzania, in corruption-ridden Zaire the exiles have enjoyed unusual freedom to do as they please.

Refugees have used Virunga National Park as a woodlot, producing charcoal for their own use and sale in Goma. Three hectares of forest are felled each day, leaving denuded areas visible in satellite photos. Until last week each



morning saw a commuter exodus on the roads leading to Goma.

Thousands of refugees were heading for farms and building sites where they were paid in food, supplementing the rations offered by the World Food Programme and giving them commodities to barter with.

As the UNHCR waits to see what effect Zaire's more muscular approach will have on the refugee population, the crackdown on business activity has prompted speculation about what effect an eventual mass departure will have on the region's economy.

The arrival of 800,000 consumers in Goma, a town of only 200,000 people, sent prices soaring and the flood of often highly skilled workers willing to accept lower than average wages put many local Zaireans out of a job. But at the same time the sudden boom in construction work in Goma bears witness to the fact that many Zaireans have profited from soaring demand and a surplus of labour.

"If the refugees leave, there will definitely be an adjustment period," a UNHCR official said. "The refugees have dominated the market until now and the economy would go into a dive. We would be looking at a kind of mini-recession."

INTERNATIONAL NEWS DIGEST

S African MP quits after raids

Mr Abe Williams, a South African cabinet minister from the white-led National party of former president F W de Klerk, resigned yesterday after police raided his homes and offices. Mr de Klerk said in a statement that Mr Williams, minister of welfare and population development, had quit the government in the interests of the party and of President Nelson Mandela's national government.

Investigators of the Office for Serious Economic Offences raided the premises in Cape Town and Pretoria while Mr Williams was at a cabinet meeting.

A minister in the Western Cape government said the inquiry concerned the award of a R149m ($37.5m) contract to distribute pensions in the province, awarded to a subsidiary of arms manufacturer Denel. Mr Williams asserted his innocence but the raid is a fresh blow to Mr de Klerk, whose party has been hit by a series of resignations. Mr Williams is one of six National party ministers serving in the government led by Mr Mandela's African National Congress. Mr de Klerk said he was seeking more information about the raids. He did not express his support for Mr Williams. *Reuter, Johannesburg*

Qatar foils 'rebel plot'

Qatar stepped up security measures around vital locations in the capital Doha yesterday after the Gulf Arab state said it had foiled an anti-government plot by supporters of the country's deposed emir.

An officer told Reuters that military and security forces in oil and gas rich Qatar had been placed on "stand one" alert. Security measures around the ruler's palace, defence headquarters and other locations in the capital Doha have been stepped up since Qatar announced on Tuesday that it had arrested almost 100 people in connection with the plot.

Qatar, a member of the Organisation of Petroleum Exporting Countries (Opec), is the site for one of the US weapons pre-positioning centres in the Gulf. It also controls the world's third largest gas reserves.

Sheikh Hamad, after months of consolidating his power in Qatar, toppled his father, Sheikh Khalifa bin Hamad al-Thani, in a bloodless palace coup in June. Sheikh Khalifa, who was abroad when his son deposed him, returned to the Gulf area in December, vowing to regain power and emphasising that he is the "legitimate ruler". *Reuter, Doha*

Fears over Kuwait human rights

Amnesty International yesterday said Kuwait's failure to deal with hundreds of human rights violations after the Gulf war in 1991 was fanning fears that rights were being flouted with impunity in the oil-rich nation.

Kuwait imposed martial law for four months after the Iraqi army was expelled by a US-led multinational force in 1991.

The human rights group said in a report released yesterday that during that period extrajudicial executions occurred and at least 70 people accused of collaborating with Iraq disappeared. In addition, more than 160 people arrested under martial law, most of them non-Kuwaitis, were jailed after what Amnesty called "manifestly unfair" trials between 1991 and 1995.

Amnesty welcomed positive steps by Kuwait such as the abolition of the State Security Court and moves towards ratification of international human rights treaties.

"However, the Kuwaiti authorities should investigate and redress all outstanding cases of human rights violations," Amnesty said in its report. *Reuter, London*

Turks and Kyrgyz clash on joint ventures

FT: Feb. 22, 96

By Birgit Brauer

When the Central Asian republic of Kyrgyzstan gained its independence in December 1991, Turkish businessmen were the first to seek investment opportunities. The appeal of a common history, with the potential of an emerging market desperate for foreign capital, drew in 107 Turkish ventures responsible for 20 per cent of all foreign investment. Four years later, Turkish enthusiasm for the mountainous republic has faded and the Kyrgyz who welcomed the Turks with open arms are openly resentful.

Two Turkish-Kyrgyz joint ventures, a furniture and a leather factory, have been plagued with problems. A third joint venture, construction of a $25m four-star hotel outside the Kyrgyzstan capital of Bishkek, has been torn apart by disputes. Still unfinished, the Ak-Keme Pinara Hotel is said to be losing an estimated $25,000 a day.

Worse for Kyrgyzstan, nine Turkish ventures which drew on a $45.5m credit line from Turkey's Eximbank have yet to make the required interest payments. The row at the Ak-Keme Pinara Hotel, originally scheduled to open last December, highlights the reasons why the Turks and the Kyrgyz have failed to get along.

Both the Kyrgyz company Ak-Keme and the Turkish construction company Sistem Muhendislik, which each hold 50 per cent of the venture, have accused each other of trying to obtain full ownership of the hotel.

Mr Ruslan Sarymsakov, president of Ak-Keme, claims his Turkish partner has refused to account for his expenditure. Mr Fehim Yenice, president of Sistem Muhendislik, says a turnkey contract does not oblige him to show his bills and charges in turn that Ak-Keme owes him $2m.

The dispute came to a head in mid-December, when Mr Sarymsakov pulled out of the joint venture and locked his former partners out of the hotel premises. The Turkish embassy wrote a stern note to the Kyrgyz foreign ministry, heavily criticising this act. Mr Yenice immediately demanded compensation and threatened to go to international courts.

Mr Askar Akayev, the Kyrgyz president, has tried to stay out of the controversy, calling the row a purely commercial matter that needs to be solved by the former partners. But he recently vented his frustration in a press conference.

The Turkish ambassador, Mr Metim Goker, insists there are no problems with Turkish investments, which make up 30 per cent of all direct foreign investments and include 107 joint ventures.

Despite its disillusion with Turkey, Kyrgyzstan's government is trying to restore its credit rating by repaying the Eximbank credit. But without a resolution of the hotel dispute, any further significant Turkish investment is unlikely.

■ The collapse of the largest savings bank of Kyrgyzstan will affect more than 1m citizens but is unlikely to affect the country's commercial banks, officials and Western bankers said yesterday, Sander Thoenes reports.

The country's central bank last week declared Kyrgyzelbank insolvent, cancelled its licence and effectively took over the assets. It promised to pay back deposits in full but would only compensate part of the lost interest.

NEWS: ASIA-PACIFIC

Ramos calls for aid in fight against piracy

By Edward Luce in Manila

A series of attacks by Chinese pirates on commercial shipping in the South China Sea prompted President Fidel Ramos of the Philippines yesterday to call on his neighbours to co-operate in combatting the problem.

The Philippine navy had fought armed pirate boats within the country's maritime zone on more than 10 occasions in the past nine months, Mr Ramos said. The problem posed an increasing threat to the integrity of regional seaborne trade.

Other south-east Asian nations, including Indonesia, Malaysia and Thailand, had suffered from a rise in piracy, smuggling and high seas robberies within their economic boundaries in the past two years, Mr Ramos said. South-east Asia is host to some of the world's busiest commercial shipping lanes.

"No country has all the resources, all the vessels and manpower to curb the menace piracy poses to peaceful shipping and commerce of all nations," said Mr Ramos. "The control and suppression of piracy and other lawless acts on the sea call for a concerted and deliberate regional response. It is [our] hope that the regional community will rise to meet this challenge."

Mr Ramos's plea comes just two weeks after 20 Chinese pirates were arrested in Philippine waters after clashing with Philippine naval boats. The incident followed the sinking of a "pirate" Chinese naval vessel 120km off the Philippine capital in a gun battle last month.

The Chinese government denied knowledge of the incident, but Philippine officials claim they have proof that "rogue" Chinese naval gunboats were involved. Officials say the clash, which took place 35km from the Subic Bay Freeport, the former US naval base now the Philippines' fastest growing special economic zone, was the latest in a series of run-ins with clearly identified Chinese naval boats.

Military officials said the three boats, Huenfen fast attack craft flying the Chinese flag, were operating from naval bases in southern China, including Shantou, Kityung and Senwei. No official protest has been lodged with China.

As part of the effort to combat piracy, the Philippine air force said earlier this week it would acquire US air-to-surface Harpoon missiles to strengthen aerial policing of the country's 200-mile exclusive economic zone. The air force would buy 18 SF-260 TP aircraft once funds had been released under the country's armed forces modernisation law.

Australia poll fight turns to industrial relations

By Nikki Tait in Sydney

The focus in Australia's federal election campaign switched to industrial relations yesterday, with the Australian Council of Trade Unions, the leading union body, warning that any moves by a Liberal-National coalition government to remove workers' protections would be fiercely resisted.

"If they want a war, they'll have the full symphony, all the pieces, all the clashes, all the music," Mr Bill Kelty, ACTU secretary, told a rally of union members attended by Mr Paul Keating, Labor prime minister, in Melbourne.

Mr Kelty warned the coalition not to come to the ACTU "whingeing and complaining" if the long-standing "accord" between the unions and federal government was scrapped. The accord is essentially an incomes policy, under which the unions promise some wage restraint in return for the government furthering a specified social agenda.

"Don't come back whingeing and complaining when we go to the marketplace," he said. Members would push for big increases. "Don't come back to us, asking for agreements and understanding."

The prime minister's office put out a commentary on the coalition's industrial relations policy, claiming there would be inadequate safeguards for wages and conditions. It estimated 1.7m people seek new jobs each year, often the young or low-paid. They would be most vulnerable, virtually obliged to take individual contract conditions.

Separately, the battle over how parties will fund their extensive election promises continued, with Mr Peter Costello, shadow treasurer, releasing new costing assessments. Labor had previously alleged a A$5.6bn (£2.8bn) "hole" in the coalition's costings.

The Liberal-National coalition now says it has earmarked A$6.3bn-worth of new spending over three years, but would pay for this through revenue measures generating A$2.6bn and spending cuts of A$6.3bn. Mr Costello said he had "secured advice from financial markets" that the sale of one-third of Telstra, the large government-owned telecoms group, would be feasible by July 1997, and this would be "an optimal time for price".

The sale would raise an estimated A$8bn, A$1bn of which the coalition would devote to its environmental programme. The sale would be larger than any previous privatisation or stock market flotation in Australia, and the coalition has indicated it would restrict foreign ownership to no more than 35 per cent of the publicly held shares.

Even if the sale is technically feasible, the Australian Democrats (one of the minor parties) reiterated their strong opposition to the Telstra move yesterday. The minor parties, notably the Democrats, are expected to hold the balance of power in the Senate, through which any sale legislation would have to pass.

Behind the mask of Asian harmony

Japan's joint currency operation is elaborate theatre, writes Gerard Baker

Pure kabuki – this was the considered response of one foreign financial observer to the scheme announced this week by Japan's government for a form of joint operation with its Singaporean and Hong Kong counterparts in Asian currency markets.

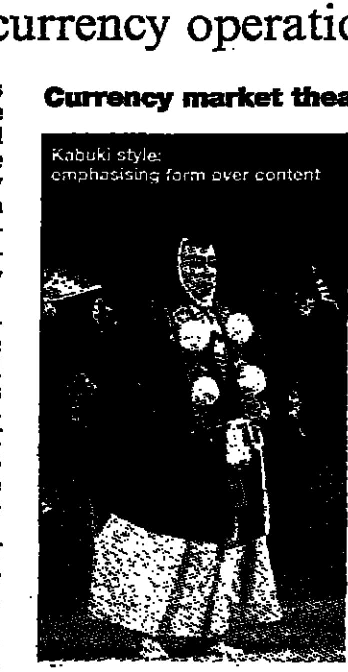
The reference to the country's most ornate dramatic style, whose elaborate and spectacular theatricality tends to emphasise form over content, is a reasonable account of how the Japanese authorities are at present trying to achieve their aims in foreign exchange markets.

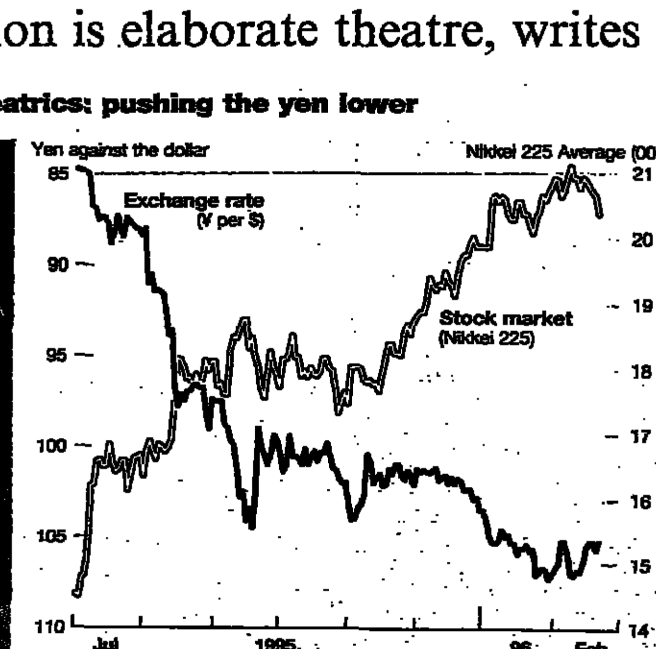
On Tuesday the Bank of Japan said it would in future trade in the yen/dollar market in Hong Kong and Singapore through the two countries' central banks. Officials hailed the agreement as a great leap towards intergovernmental co-operation in Asia. They pointed out that Singapore and Hong Kong had the world's fourth and fifth biggest foreign exchange markets, and said similar deals might come elsewhere in Asia.

Behind the mask of Asian economic harmony it was not difficult to detect a rather more prosaic objective: another attempt by Japan to push the yen lower. In fact, the decision was a further illustration of the near-obsessive importance the Japanese authorities now place on the exchange rate as a determinant of the country's economic prospects.

Having successfully brought the yen down from its heights last spring, they have watched with concern in the past few weeks as the US dollar has fallen back.

Currency market theatrics: pushing the yen lower





The concern is easy to understand. Last April the yen peaked at Y79 to the dollar. Thanks, at least in part, to huge intervention by the Bank of Japan, and to a similarly spectacular series of exchange market gestures by the finance ministry last summer, the currency dropped rapidly, settling at around Y105 at the start of this year.

The movement was almost precisely mirrored by the stock market. The Nikkei 225 index hit bottom last summer below 14,500 and since then has risen by nearly 50 per cent.

The improvement in real economic fortunes has been even more pronounced. Since last summer, industrial production has grown more than 2 per cent as signs of a broader recovery have multiplied. This week the government's index of economic indicators showed the strongest improvement in conditions for eight years.

Manufacturers, who cut costs as the yen rose to its peak, now find themselves with a more comfortable cushion of profitability from which to expand production.

The authorities are anxious this fragile recovery should not lose momentum; they believe the simplest way to maintain it is to keep pressure on the exchange rate.

So, as the dollar has weakened somewhat in the past few weeks, from Y108 to as low as Y103 earlier this week, they have turned again to currency market theatrics. They are well aware that a number of factors may conspire in the next few months to undermine their weak-yen strategy, and are anxious to head them off.

Interest rate differentials between Japan and the US have narrowed as US rates have begun to fall again following the Federal Reserve's easing of monetary policy in the past two months.

The spread between US and Japanese short-term rates has slimmed from 5.3 per cent last September to 4.2 per cent this week. The trend seems to be towards a further narrowing as US rates are expected to fall further while the next move for Japanese rates, already close to zero, seems almost certain to be up.

Adding to the pressure is the seasonal factor of end-year repatriation of overseas funds by Japanese financial institutions. Banks and life insurers have begun the complicated juggling of their financial accounts for the fiscal year-end next month; many face the usual need to bring funds back to Japan to repair their balance sheets.

A third element has been renewed nervousness at many of those institutions about the dollar's recovery last year. The Y105-Y110 range was widely seen as the top end of the dollar's medium-term achievements; some investors believe no further gains can be eked out of dollar assets. In the past few months Japanese net buying of foreign securities has slowed sharply.

In the face of these pressures, the deal with Hong Kong and Singapore is seen by the finance ministry as an important defence against any further weakening of the dollar.

But it is, in fact, mostly theatrical. In practical terms the agreement makes little real difference to the ability of the Bank of Japan to influence markets there. The bank can, and does, already intervene in those markets through commercial banks.

The government hopes instead that a rare public display of Asian co-operation will impress traders. They want to give the impression a weaker dollar will be challenged by a united front across Asia's currency markets.

The markets may not need the display. The fundamentals driving currency levels, most notably Japan's shrinking current account surplus, point to a further weakening of the yen over the next few months in any case.

But the Japanese government's action shows how reluctant it is to take chances. It undoubtedly has many other schemes should they prove necessary, which suggests that a period of volatility seems likely. That should give the markets a chance to enjoy much more kabuki.

Seventh Indian minister quits after bribe claims

By Mark Nicholson in New Delhi

A seventh Indian minister resigned from the Congress party government yesterday for alleged involvement in the political bribes affair that prompted three other ministers to quit earlier this week.

The scandal is widely expected to result in formal charges against more senior politicians being filed today.

Mr RK Dhawan quit as minister of urban affairs on the eve of representations to the supreme court by the central bureau of investigation, leading the probe. The supreme court, has insisted the bureau put no-one "above the law".

Like his three ministerial colleagues who resigned earlier this week, Mr Dhawan has not been charged. But the bureau is understood to have identified Mr Dhawan as an alleged recipient of money for favours paid by Mr Surendra Jain, a New Delhi power and steel businessman, from notebooks which, with Mr Jain's subsequent testimony, form the core of evidence in India's broadest post-independence corruption scandal. The initials of the minister figure in two coded diaries seized by the bureau from Mr Jain, listing 115 politicians and bureaucrats he allegedly bribed between 1988 and 1991 in return for favours. Most of the politicians accused have denied accepting money. Others have admitted taking political contributions but have denied giving favours in return.

Three ministers have already been charged and since resigned. Mr Dhawan's resignation follows those this week of fellow Congress ministers Mr Kamal Nath, Mr Buta Singh and Mr Arvind Netam, in what the governing party is now advertising as a "cleansing of public life".

Mr Vithal Gadgil, a Congress party spokesman, said the resignations will "help the image of the party", before elections expected in April. "The people will be impressed," he said.

Duke Power denies 'emphatically and vehemently' minister's statement that it has made an approach

US utility rejects nuclear sell-off claim

By David Lascelles and James Blitz in London and Richard Tomkins in New York

Nuclear privatisation was thrown into confusion yesterday when Mr Tim Eggar, the British energy minister, confirmed that he was considering a purchase approach by Duke Power, a leading US utility, only to have the company flatly deny any interest.

Mr Eggar said: "We have had an indirect approach and it is of a very preliminary nature." The approach was being considered, he added, because the government's duty was to obtain best value for the taxpayer. However, Ms Guynn Savage, corporate spokesperson for North Carolina-based Duke Power, said: "I can say emphatically and vehemently that we have expressed no interest to the UK government, nor has anyone contacted us about a potential purchase of the UK nuclear units."

The confusion was traced to informal contacts between merchant bankers at Schroders and BZW, the government's advisers on the nuclear sale. Although Schroders is not retained by Duke Power, it told BZW that it was sounding out UK government thinking on behalf of the US company. Duke later confirmed that it monitored privatisation developments worldwide in order to identify potential business opportunities. Schroders declined to comment last night. Nevertheless, the bank is understood to be furious about the leaking of its contacts and what it sees as the misinterpretation of their purpose.

Apart from creating confusion and embarrassing a minister, yesterday's developments cast the sell-off in a new light by showing that the government is willing to consider a private sale instead of the planned flotation. However, there are thought to be few companies which would be able to make a purchase of this scale – estimated at £2.5bn ($3.9bn) – with all the nuclear liabilities attached to it.

Even so, the government received *a welcome boost for* the sell-off from backbench MPs yesterday. A report by the trade and industry committee of the House of Commons raised no fundamental objections to the privatisation, *though it stressed the need for safety and for sound financial arrangements.*

Labour MPs on the committee disassociated themselves from the report, claiming that concerns over the nature of the liabilities "underline serious *flaws with the proposed plan*". Mr Martin O'Neill, the Labour chairman of the committee, said he would personally "not be happy" to see the industry privatised.

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European court rebuffs minister

By Robert Rice, Legal Correspondent

The home secretary's power to decide when to release prisoners serving indeterminate sentences was called into question yesterday by the European Court of Human Rights. The decision of the Strasbourg court came in a case brought by two men convicted of murder when they were juveniles.

It could force the British government to change the procedures for determining the length of sentence to be served by prisoners detained "at Her Majesty's Pleasure", a procedure which leaves the length of sentence for juveniles in the hands of the home secretary *acting on advice from the* Parole Board.

The judges said the inability of the two men to have the lawfulness of their continued detention or redetention reviewed by a court amounted to a violation of the European Convention on Human Rights.

Mr Michael Howard, home *secretary, said the government* believed the procedures which had been condemned by the court worked well but it would carefully consider the implications of the judgment. He added, however, that the decision did "not affect a home secretary's power to set the tariff in such cases".

When juveniles are sentenced to be detained "at Her Majesty's pleasure", a minimum term or tariff is set at the outset. Once that minimum has been served the home secretary has the power to extend the sentence by executive decree until he is satisfied that the prisoner is no longer a danger to the public.

The home secretary's power to set tariff periods longer than recommended by judges is the subject of a separate challenge before the Strasbourg court by Robert Thompson and Jon Venables, *the two* boys convicted in 1994 of the murder of two-year old Jamie Bulger in Liverpool.

The court recommended that they should serve a minimum of eight years, but Mr Howard extended the tariff period to 15 years. Yesterday's decision will mean that once they have served 15 years *a* court and not the home secretary will decide for how much longer they should be detained. But victory for the two boys in their own court challenge could force the government to remove the home secretary's role in determining sentences in such cases.

Sir Ivan Lawrence, a lawyer and the Conservative chairman of the House of Commons home affairs committee, defended the home secretary's role. But he joined MPs from all parties in calling for the human rights convention to be incorporated into British law. "British people were getting "a little fed up at being told what to do by foreign courts", he said, and incorporation would allow British courts to decide such issues.

German minister issues warning on arms projects

By James Harding and Bernard Gray in London

Mr Volker Rühe, the German defence minister, yesterday issued a stern warning to Britain that it must participate in collaborative European arms projects if it wishes to join the new Franco-German arms agency.

In particular, Mr Rühe said in an interview with the Financial Times, that if the UK decided not to join the new Multi-Role Armoured Vehicle programme, it would be excluded from the agency created to co-ordinate arms needs and purchases.

"The relationship with the so far German-French agency is, as I have said before, such that *you cannot go through the* door without any common projects," Mr Rühe said. "But with the MRAV [Britain] will get through the door. I am optimistic that it can be achieved."

The UK Ministry of Defence's main procurement committee met yesterday to decide *whether accept the specification* agreed between France and Germany for the MRAV "battlefield taxi", and a decision is expected soon. The Franco-German specification is minutely detailed, whereas the UK would prefer a shorter specification of the basic requirements.

Following a meeting with Mr Rühe in London, Mr Michael Portillo, his British counterpart, dismissed suggestions that the UK should consider alternative plans to build the multi-role armoured vehicles *independently. However, he* gave no clear commitment that Britain would participate in the joint MRAV programme. The meeting between the two ministers was intended to resolve an impasse over the MRAV programme after Germany told Britain that, unless it agreed to join by the end of the month, the Germans and French would proceed on their own.

There are still doubts about British commitment to European projects, however. Referring to the British decision to buy US Apache attack helicopters last year, Mr Rühe said the UK must strengthen its European credentials. "We are not discussing philosophy there, but we are co-operating on common projects. As I have put it, with the Apache in your arms, it is difficult to go through the door."

Britain argues that there should be open competition for such contracts, including those for the MRAV.

The German minister issued a stark warning that collaboration between the three countries was the only viable course for Europe's leading defence industries. "It is a luxury that we develop and build three tanks in Europe, three *fighter aircraft,* and three frigates, three everything."

German defence minister Volker Rühe reviewing a guard of honour in London yesterday

Northern Ireland Friends of Sinn Féin register $1.1m

Destination of funds raised in US remains a mystery

By Jimmy Burns in London and Patti Waldmeir in Washington

The Clinton administration's decision last March to allow Mr Gerry Adams, the Sinn Féin president, to raise funds in the US instantly revived the financial fortunes of the Irish republican movement across the Atlantic.

Within days Mr Brian O'Dwyer, a New York lawyer whose clients include Irish-Americans sympathetic to the Irish republican cause, confirmed that a fundraising lunch at New York's Plaza Hotel had been a sell-out, with 250 guests paying $200 (£130) *each. Fundraising has contin*ued to grow ever since, and the potential dangers of it being diverted to the IRA are only now becoming apparent.

The $1.12m that Friends of Sinn Féin, the republican movement's public fundraising organisation in the US, has been required by law to register with the US Department of Justice, accounts only for funds raised by the organisation up to the end of October *last year.*

But, as the organisation's US accountants admitted, this gives an incomplete picture of the destination of funds and fundraising which has taken place since then.

Under the Foreign Agents Registration Act, Friends of Sinn Féin Inc is required to file financial statements with the Department of Justice at six-monthly intervals, showing funds raised in the US and how they are disbursed. According to Friends of Sinn Féin's statement for the six months end*ing October 31 1995, $1.12m was* raised during this period, and according to Schedule E of the statement, $528,137 of it was disbursed under the heading "money to Ireland".

This figure is broken down, with amounts and dates, reflecting payments for the Dublin and Belfast office telephones, office supplies and equipment hire. However, several of the largest entries list the recipient simply as "Sinn *Féin", including one for* $249,657.20 on August 7 1995, marked "Dublin office 12 months budget". Others include $87,753.25 for "president's office 12 months budget", and $32,964 for "Parnell *Square restoration*".

Mr Lawrence Downes, president of Friends of Sinn Féin, said no transfers had been made since November 1 last year when $13,827 was sent to Ireland.

The primary purpose of the financial reports is to enable US officials to check whether *Friends of Sinn Féin* is using funds raised in the US for illegal activities domestically. Under the agreement to allow Sinn Féin to raise funds in the US, the Federal Bureau of Investigation is able to monitor *disbursements from Friends of* Sinn Féin's bank accounts in the Republic of Ireland.

Pressure for retaliation mounts

By Jimmy Burns in London *and John Murray Brown* in Dublin

Hardline members of pro-British paramilitary groups want to strike against nationalist targets in Northern Ireland and the *Republic of Ireland in* response to any escalation of the IRA's terrorist campaign, it emerged last night.

The warning followed a meeting in Northern Ireland of the Combined Loyalist Military Command, which *co-ordinates* policy and strategy for the Ulster Freedom Fighters and the Ulster Volunteer Force. Although the pro-British "loy*alist*" paramilitaries *do* not have the military strength of the IRA, they do retain the capacity to strike against individuals and carry out small-scale bomb attacks.

A majority view within the *CLMC is thought to favour* holding to their current cease-fire in the absence of any further IRA attack. The leadership feels that the recent spate of bombings in London has resulted already in a big propa*ganda setback for the republi*can cause.

But pressure on the CLMC is now such that the leadership says it may be unable to *restrain a resumption of terror*ist activity by groups of loyalists if the IRA carries out a further attack either in mainland Britain or in Northern Ireland.

This view was echoed yester*day by the Reverend Roy* Magee, a presbyterian minister who has acted as an intermediary for the pro-British paramilitary groups. "Attacks on the UK mainland are being viewed as an attack on the loyalist *ethos and sense of identity* just as much as any attack in Northern Ireland," he said.

Cummins Engine to close its plant in Scotland

By James Buxton, Scottish Correspondent

Cummins Engine, the US diesel engine manufacturer, is to close its plant at Shotts near Glasgow by the end of the year with the loss of 700 jobs.

The closure is part of a worldwide rationalisation pro*gramme to improve the group's* profitability, the company said. Some of the engine production at Shotts will be moved to the company's plant at Darlington in northern England.

The announcement was received with anger in Scotland. Union officials at the plant said they had to calm workers who were said to be devastated.

Cummins is the leading US manufacturer of diesel engines for heavy-duty trucks. Last October it said it planned to make 2,000 workers redundant worldwide, *about 8 per cent of* its global workforce, and was considering selling or consolidating a number of its operations. Some 1,300 jobs have already been shed, mostly in the US.

Mr Ken Sanford, Cummins' vice-president for Europe, said the Shotts plant was profitable *at its current volume but was* being closed to reduce surplus capacity. He added that the UK market, which accounts for most of the output at Shotts, was mature and was expected to fall in the short term. But the closure was *not dictated by* the state of the current market.

Although some production will be moved to Darlington other work will be switched to sub-contractors or to other *Cummins plants worldwide.* The Asia, Pacific rim and Australian markets, which account for a quarter of output at *Shotts, will now be supplied* from the US.

The Cummins factory in Scotland, producing about *12,000 engines annually in the* 11-14 litre range, has been operating at been making use of only around two-thirds of the capacity installed when the facilities had their last big update a decade ago. Cummins *firmly believed that the Euro*pean heavy truck industry would follow North America's industry: that Europe's big truckmakers, faced with the soaring cost of meeting ever more demanding and complex exhaust emissions, would opt for bought-in units from specialist diesel producers such as Cummins. But Europe's bigger truck makers have clung stubbornly to vertical integration and the capability and capacity to make their own power units.

The closure of the Cummins plant is likely to have a severe effect on Shotts, the Lanarkshire town of 9,000 people where it is by far the biggest industrial employer. Many of the workers at the plant have skilled engineering jobs, and the average length of service of the workforce is 18 to 20 years.

The plant was established in 1956 to help alleviate unemployment caused by the closure of the local coal mines. The town has male unemployment of 10.7 per cent, about the Scottish average.

Mr Michael Forsyth, chief minister for Scotland in the British government, called the news a bitter blow. It was "par*ticularly hard on the work*force, who have done so much to improve productivity," he said.

Fund management 'Quantum leap' was made after rapid series of high-level resignations at Dunedin

Merged Scottish group aims to revive US links

By James Buxton in Edinburgh

Last week's announcement of the merger of Dunedin Fund Managers with the smaller Edinburgh Fund Managers was the culmination of months of uncertainty for Dunedin beginning with the replacement last July of its investment director.

The £83.3m ($128m) deal is seen by Edinburgh, as the company likes to be called, as "a once only opportunity in Scotland for a quantum leap", creating a business managing assets of £8.2bn and employing 280 people. The Dunedin saga, the main talk of the Scottish financial community for months, has lessons for other fund managers.

The cause of the trouble at Dunedin, says Mr Eric Sanderson, its acting chairman, was a "breakdown in relations between personalities". Mr Hamish Leslie Melville, previously chairman of *Capel Cure Myers Capital* Management, was brought in during 1992 by Bank of Scotland which owns 50.5 per cent of Dunedin. He improved Dunedin's investment performance and boosted its profits, but his commanding style grated against some of his more reflective *staff.*

Discontent mounted after the departure of Mr Gordon Anderson, the investment director. In October Mr Doug Waggoner, the American who ran the highly successful Chicago office, resigned, followed swiftly by *two senior fund managers* in Edinburgh. Bank of Scotland decided that to stop the rot Mr Leslie Melville and Mr Alan Kemp, his deputy, should go.

But their resignations did not persuade the fund managers to change their minds; six more decided to go. It emerged that the defectors and Mr Anderson were creating a new Edinburgh-based business, CastleRock, since changed to CastleInternational, with the backing of PNC Bank of the US. A spur to their departure was that, unlike at other fund management companies, they could not share fully in Dunedin's *success:* Bank of Scotland only recently accepted the need for an incentive scheme which would have given executives shares in Dunedin.

Meanwhile, of Dunedin's total funds of nearly £6bn, the £2bn of US-owned pension funds began disappearing as US trustees took fright at management instability. Early this year, Bank of Scotland and the four Dunedin-managed trusts decided to shelve plans to find a new chief executive for Dunedin and put the business up for sale. The sale attracted interest from *US-based organisations such as* United Asset Management (which owns Murray Johnstone in Glasgow), from London and from mainland Europe. But the final bidders were the two quoted Scottish investment managers, Edinburgh and Ivory & Sime.

Remarkably, Edinburgh bid about £20m more than Ivory & Sime. Taking into account Dunedin's £6m cash, the effective cost is £77.3m or 1.73 per cent of Dunedin's £4.8bn assets. Last week Edinburgh raised £75m through a placing and open offer to pay for it.

In the Scottish fund management community where small managers proliferate the merger creates a relatively large company, though its combined £8.2bn is dwarfed by the large fund managers in London.

Edinburgh says the merger will be earnings enhancing because of the savings to be achieved by integration.

For Bank of Scotland there will be a capital gain of £34m and the satisfaction that, although there may be some job losses, the business will stay in Scotland.

The immediate question is whether the combined group can retain any of Dunedin's US operation. Its North American pension funds had halved and the management contracts lapse with the change of ownership, meaning that Edinburgh must compete for them. Mr Michael Balfour, Edinburgh's joint managing director, says the company priced its bid for Dunedin on the assumption that the north American funds were all lost.

Senior executives from both Dunedin and Edinburgh are now in the US to convince US pension fund trustees that the days of instability are over and that the two companies can harmonise their different fund management methods.

UK NEWS DIGEST

Profit for 1993 'to top $1.5m'

The political temperature at Lloyd's of London rose sharply yesterday as fresh projections of its recent profitability failed to stop a clamour by lossmaking Names for extra funds for the insurance mar*ket's ambitious recovery plans. Chatset, the analysis organisa*tion, and a traditional critic of the market, said Lloyd's will this summer declare profits for 1993 – "the year everyone was waiting for", following more than £8bn ($12.3bn) losses since 1987. Chatset forecast a profit of £1bn in 1993, £1.024bn in 1994 and £888m in 1995. The profits will help fund Lloyd's recovery plan, including a £2.8bn out-of-court settlement offer to loss-making and litigating Names. But Chatset said an extra £1bn may still be needed.

Ralph Atkins, Insurance Correspondent

Works council at Pearson

Pearson, the media group which owns the Financial Times, is to form a Europe-wide consultative forum for all its 13,000 employees, including those in the UK, to comply with the European Union's controversial law on works councils. "This is an information and consultation body which will enable staff representatives to discuss Pearson group Europe-wide issues with senior Pearson executives," said Mr David Bell, chief executive of the Financial Times Group, a Pearson unit, in a letter to group employees. "As the UK government has opted out of the social chapter, there is no obligation to include our UK staff – who make up 85 per cent of our employees – in these arrangements," said Mr Bell. "However, Pearson has decided that its UK employees should have the same opportunity as their other European colleagues to participate in these discussions."

The group has told the staff that "best management practice dictates UK employees should be included". It adds that "not to do so would be contrary to the objectives of the directive which are to consult and inform all employees; many major UK companies are also taking this view". So far, only an estimated 10 UK-owned companies have created such works councils with a further 16 being negotiated.

Robert Taylor, Employment Editor

Exhibition centre clears hurdle

Work is likely to start this year on a proposed international exhibition centre in London's Docklands following a government decision not to block or delay the £100m ($154m) scheme. The London Docklands Development Corporation is expected today to approve plans for a 100,000 sq m exhibition complex, a 3,000-seat conference centre, 1,000 new hotel rooms and parking for 5,000 cars. The proposed development is expected to provide stiff competition for Earls Court and Olympia, London's established exhibition venues, and Birmingham's National Exhibition Centre.

P&O, the shipping and property group which owns Earls Court and Olympia, has plans to build a rival scheme to the west of London near Heathrow airport. The consortium developing the docklands scheme includes Sir Robert McAlpine, Trafalgar House Developments and Try Construction and is advised by Bear Stearns, the US investment bank.

Simon London, Property Correspondent

Payouts for rail delays

European Passenger Services, the UK operator of the Eurostar trains that run from Paris and Brussels to London, is to compensate many passengers delayed on Tuesday. Some spent up to 18 hours on a train before being returned to their point of departure in London.

Every Eurostar service on Tuesday was delayed with the average hold-up amounting to between three and four hours but some trains were delayed for much longer. EPS said trains appeared to have problems moving from the freezing conditions outside the tunnel to the relatively warm temperatures inside.

Charles Batchelor, Transport Correspondent

Banks to advise on sell-off

The government completed the institutional selling syndicate for the £1.5bn ($2.3bn) privatisation of Railtrack, the company which has taken over British Rail's track, signalling and stations, with the selection of six investment banks. Crédit Lyonnais, Robert Fleming, James Capel, Nikko, Schroder Wertheim and WestLB have been appointed to the junior role of co-managers which allows them to sell shares worldwide, but not in the UK. The senior roles – SBC Warburg as global co-ordinator and Merrill Lynch and UBS as global managers – were made some months ago. These three banks have the right to sell the shares worldwide.

Antonia Sharpe, Markets Staff

Beef sales begin to recover

Beef sales are still suffering from the fall-out over bovine spongiform encephalopathy (BSE), or "mad cow disease", but there are signs of a slight recovery, said the Meat and Livestock Commission. Retail sales in the four weeks to February 11 were down 12 per cent on the same period last year. This compares with a 17 per cent drop in the previous four weeks, the worst year-on-year decline since the scare began in October. "This is the first sign of recovery," said the commission. "It's taken a little longer than we thought."

Alison Maitland, Resources Staff

O'Reilly paper expands

The Irish Independent, the biggest selling national newspaper in Ireland, will start printing in England this weekend. The paper, part of Mr Tony O'Reilly's Independent Newspapers, has a total weekly circulation of 340,000 and already sells 12,500 copies in Britain air-freighted over from the Republic of Ireland. The decision to produce a British edition at a plant owned by a subsidiary of the Guardian Media group, is intended to increase sales and to cut airfreight costs.

Alice Rawsthorn, Consumer Industries Staff

Shorter route to making PVC

Europe's largest PVC producer, EVC, has discovered a chemical reaction that could transform its industry by leapfrogging two stages in the production of the chlorine-based plastic.

The chlorine in PVC sets it apart from other plastics by providing a highly reactive bonding point for other chemicals. With different additives, it can be made strong, flexible, or even flame-resistant.

But getting the chlorine into the plastic in the first place is a complex process, requiring five separate chemical reactions.

Oil or liquid natural gas is broken down into ethylene. This is then combined with chlorine, before being heated to 430°C to throw off excess hydrogen chloride in a reaction with oxygen. The product is vinyl chloride monomer (VCM), which is processed directly into PVC.

Industrial chemists have long been teasing away at the possibility of converting ethane – a component of natural gas – straight into VCM. The obstacle has been the high temperature needed to get ethane to react with other chemicals.

The EVC breakthrough, discovered at a laboratory in Runcorn on Merseyside, is a non-corrosive catalyst that provokes a reaction at lower temperature. This produces VCM at 90 per cent purity.

It works with different forms of chlorine, making it possible to use recycled chlorine left over from earlier runs.

And the cost implications are sweet. There is less processing, minimal waste, and as a raw material ethane costs around £65 for a tonne equivalent, compared with £350 for ethylene. In addition, its supply is plentiful – oil producers currently burn much of it off as waste.

EVC has run the reaction in a small reactor, and applied for a patent. Its next step will be to set up a pilot plant.

Jenny Luesby

Seeing is relieving

The practical role of virtual reality in medicine has resulted in gain without pain, writes George Cole

Peter Chapman

The virtual reality system allows a child to practise using a wheelchair in safety

A boy guides his electric wheelchair along a pavement. As he approaches a set of traffic lights, he loses control and the wheelchair runs into the road just as a car approaches. But there is no damage and the boy is safe, because this is no ordinary street.

The boy is using a technology that could play an important role in the medical world as a tool for training, clinical assessment and stress control: virtual reality, which uses three-dimensional graphics to create worlds which subjects can explore.

Some VR systems involve the user wearing a headset with built-in stereo video screens; others use a desktop computer monitor and some form of manual control, such as a mouse, keyboard or joystick.

Virtual reality has created much interest in the games industry, where it could be used to produce a new generation of video games. But medical workers also see potential in the technology.

"VR is a powerful training tool for everyone. The idea that you can simulate a situation and practise it before you experience it, is wonderful," says Harry Murphy, director of the Centre on Disabilities at California State University, Northridge.

The US Department for Education has provided more than $600,000 (£400,000) of funding to the Oregon Research Institute (ORI) for VR research. One project is designed to help children use a motorised wheelchair. "We see basically two types of children: those who have a wheelchair and need to develop their skills, and those without a wheelchair," says Dean Inman, a research scientist at ORI.

The latter group, Inman adds, includes children who need to achieve a basic level of competence before an insurance company will pay for the cost of an electric wheelchair, which is around $6,000-$10,000.

The system used at ORI places a wheelchair on a pair of rollers, which allow the back wheels to rotate while holding the wheelchair in place. The child wears a headset, which includes a pair of headphones.

The rollers give the impression of movement and their surface is irregular, so that the chair vibrates as it would on a sidewalk. If the child runs the wheelchair into an obstacle, they feel a bump. The headphones provide the sound of the wheelchair in motion.

The system is controlled by a joystick, and a barcode reader on the rollers provides a computer with data on how the child is performing. The age of the children who have used the wheelchair system ranges from three to 16.

Inman says the system uses off-the-shelf technology and ordinary computers. "It would have been easy to develop a state-of-the-art system that worked well but was too expensive for schools or hospitals. Our system costs around $13,000 and the price is falling. The hardest part was creating the virtual worlds, which took around a year."

The wheelchair system presents the subject with a series of virtual worlds, ranging from a vast area with no obstacles, to a high street pedestrian crossing. There are plans to develop a system in the future that will allow children to explore a town centre. "VR has given us a safe environment to work in. It's a highly motivating system and the kids try very hard. We often have to prise them out of the chair," says Inman.

The ORI is also developing a VR system that will allow children with disabilities to carry out science experiments.

At the psychology department at the University of Leicester, children with physical disabilities are using a desktop VR system to develop spatial awareness.

The child is presented with a 3D graphical display of the department's rooms and corridors on a desktop computer and the exercise takes the form of the game.

The child wanders around the virtual world looking for fire alarm boxes and fire hoses, which can be activated by pressing a mouse button.

"When we tested the children, we found that they had learned about the spatial layout of the department. We also plan to use the system inside a school," says Nigel Foreman, a member of the psychology department.

The psychology department of the University of East London is investigating the use of VR for the training and assessment of people who have suffered traumatic brain injury, for example, from a car accident, sports injury or assault.

"A big problem with neuro-psychology assessments is that they tend to be artificial," says David Rose, head of the psychology department.

"You can use a paper and pencil exercise to test someone's memory, but it doesn't tell you how they would cope if you sent them shopping at a supermarket."

Rose adds that when people suffer from severe head injuries there is the risk that they will withdraw from interaction with their environment. Virtual reality could motivate them to respond to their surroundings.

VR systems, he says, can be cost-effective when compared with conventional training systems. "Research suggests that very little time is actually spent on rehabilitation during a training session."

East London University has carried out pilot tests using normal subjects on a desktop VR system. The next stage of the project will test brain-damaged patients, and also involves hospitals in Edinburgh and east London.

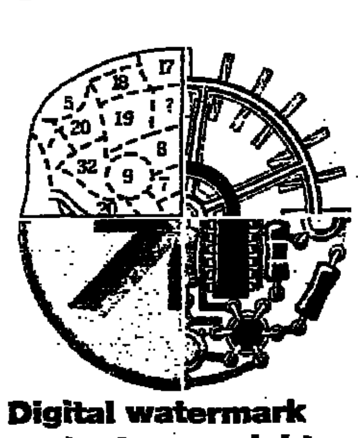
Meanwhile, the Virtual i-O company in Seattle has developed i-glasses, a lightweight headset costing around £600, which presents users with 3D images. One application of i-glasses is to reduce the stress levels of dental patients. The patient wears the glasses to watch a film or music video whilst undergoing dental treatment.

Several dental practices in the UK are currently using i-glasses, and Virtual i-O expects the number to reach 1,500 within the next 12 months.

Some critics of the virtual reality system wonder whether skills acquired in a virtual world can be transferred to the real world. Others question the safety of VR.

Rose has few such qualms. "The evidence from flight and driving simulators is that skills can be transferred and the risks in using VR are negligible when compared with drug treatment. There is nothing to lose and everything to gain with this technology," he says.

Worth Watching · Vanessa Houlder



Digital watermark protects copyright

Scientists at the NEC Research Institute in Princeton believe they have developed "a fundamental enabling technology" for protecting the copyright of images and music on the Internet.

They have developed a secure method of producing a digital watermark, an invisible code that identifies the owner, which is permanently embedded in the multimedia data.

Attempts to remove the watermark would be virtually impossible without degrading the image quality. Moreover, counterfeiting would be almost impossible, says NEC, the Japanese electronics company.

The digital watermark is designed to be used in conjunction with cryptography, which limits access to encrypted data to legitimate users.

NEC Research Institute: US, tel 609 5201555; fax 609 9512481.

Autoimmune update

Researchers investigating a mechanism used by the body to turn off inflammation believe it could open up new avenues of research into treatments for autoimmune diseases, such as multiple sclerosis.

An international team, including scientists from the Weizmann Institute of Science and Stanford University Medical Centre, has shown that it may be possible to turn off the mechanism that initially triggers the autoimmune response without affecting the entire immune system.

The scientists used a protein fragment called the p87-99 analogue to affect cells that play an important part in the initial stages of autoimmune disease. Using the protein fragment, they were able to reverse the paralysis produced in laboratory mice that had an autoimmune disease analogous to human multiple sclerosis.

Weizmann Institute: Israel, tel 9728343852; fax 9728344104.

Mighty magnetic microscope

Dutch researchers have designed a magnetic microscope that can reveal the arrangement of spinning atoms, and so give new insights into the magnetic properties of materials.

The microscope, developed at the University of Nijmegen, uses a scanning technique in which a sharp needle moves back and forth across the specimen being studied.

It uses a needle made of light-sensitive material which generates an electric current as it absorbs light. The magnetism of the material can be measured using polarised light, since the polarisation – or direction of rotation of the light – is linked to the direction of rotation of the atoms.

The researchers, who were financed by the NWO Foundation for Fundamental Research on Matter, have resolved magnetic details down to 0.2 microns (thousandths of a millimetre). They expect to achieve magnification up to 10 times greater in the near future.

NWO: The Netherlands, tel 703440713; fax 703850971.

Cooler combustion for fuel savings

A device that lowers the temperature of combustion can substantially cut vehicle exhaust emissions and improve fuel efficiency by at least 5 per cent, according to Ethan Adams, its Leicestershire-based developer.

The device, which can be fitted on any petrol or diesel engine, uses exhaust heat to produce steam from a water tank. The steam is drawn into the combustion chamber, where it lowers the temperature and improves the efficiency with which the fuel burns.

The technology, which is being tested on bus fleets, was developed for six years in conjunction with the department of fuel and energy at Leeds University.

Ethan Adams: UK, tel (0)1530 830860; fax (0)1530 830868.

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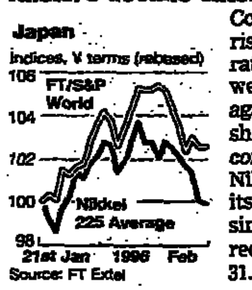
IN BRIEF

NASD fines US firm record $10m

The US's National Association of Securities Dealers has imposed a $10m fine, its largest ever, on Hibbard Brown, and expelled the New York securities firm from the association for "defrauding retail customers". Sanctions have also been taken against Mr Richard Brown, president of the firm, and Mr DeJuan Stroud, the compliance officer.
Page 24

Nikkei's decline extends to sixth day



Source: FT Extel

Concerns about a possible rise in long-term interest rates and the continuing weakness of the dollar against the yen depressed share prices for the sixth consecutive trading day. The Nikkei average, registering its longest losing streak since the market began to recover in July 1995, shed 31.29 to 20,340.94. Investors were discouraged by the failure of the dollar to rise significantly against the yen by mid-afternoon, in spite of reports of intervention by the Bank of Japan. Back Page

Bayernwerk lifts Viag result to DM2.1bn
Viag, the German energy and industrial group, reported operating profit for 1995 of DM2.1bn, in line with forecasts, and said it would increase its dividend by DM2 to DM12. Two-thirds of the rise from DM850m in 1994, was due to the first-time full consolidation of the Bayernwerk utility.
Page 26

Statoil shows slight decline from record
Statoil reported net profits of NKr5.3bn ($830m) for 1995, a slight decline from a record NKr5.4bn a year earlier. The result was restrained by lower oil prices, reduced production, and "extremely poor" refining margins, the Norwegian state oil company said. Page 26

Den Danske Bank jumps on securities gain
Den Danske Bank, Denmark's largest bank, announced a sharp increase in net profits to DKr3.63bn ($645.4m) from DKr818m in 1994, largely attributed to gains on its securities portfolio and reduced loss provisions. Page 27

Domestic side drives 15% rise at Qantas
Higher earnings from domestic operations and falling interest charges propelled Qantas, the recently-privatised Australian airline, to profits after tax of A$148.3m (US$112m) – a 15.2 per cent rise – for the half-year to December 31. Page 28

Hanson loses another senior figure
Hanson, the UK industrial conglomerate which last month revealed plans to split into four, has suffered its second high-level departure since the demerger announcement with the decision of Mr David Snowdon, who heads the ARC aggregates subsidiary, to leave. He follows Mr Ron Fulford, who resigned as chairman of the Imperial Tobacco subsidiary.
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Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
[illegible]	678	+	18
Herlitz	576	+	12
Falls			
Berliner Kraft	411	-	7
DLW	129	-	50
Deutsche Bab	91.6	-	19.4
Zanders Fein	137	-	7.2
NEW YORK ($)			
Rises			
Digital Equip	73⅞	+	3⅜
Natl Data	29⅞	+	3⅞
Tiffany & Co	54⅛	+	3⅛
Falls			
Berry RG	14⅜	-	1⅜
Service Med	15⅜	-	1⅞
Intl Transport	15⅞	-	1⅝
LONDON (Pence)			
Rises			
Cortecs	168	+	18
[illegible]	183	+	20
[illegible]	884	+	44
Superscape VR	683	+	43
Falls			
[illegible]	419	-	17
[illegible]	255	-	25
TORONTO (C$)			
Rises			
Fairfax Fin	120	+	6
[illegible]	19¼	+	4⅛
[illegible]	43⅞	+	6
Falls			
[illegible]	6	-	2½
[illegible]	6⅜	-	¾
[illegible]	19⅝	-	1

PARIS (FFr)			
Rises			
Air Liquide	810	+	72
BIC	575	+	10
Legrand	901	+	16
St Louis	1495	+	51
Falls			
[illegible]	893	-	11
Worms Cie	260	-	14
TOKYO (Yen)			
Rises			
Hitachi Koki	885	+	15
Mazda Motor	425	+	18
Tokyo Car	719	+	29
Falls			
[illegible]	788	-	17
Casio Computer	997	-	43
[illegible]	823	-	22
HONG KONG (HK$)			
Rises			
Hop Hing Hld	1.43	+	0.15
Pioneer Hldgs	2.4	+	0.15
YGM Trading	5.8	+	0.35
Falls			
Citic Pacific	30.7	-	1.8
HKR Intl	8.7	-	0.85
New World Infra	16.45	-	1.1
BANGKOK (Baht)			
Rises			
[illegible]	69.5	+	4.5
Thai Iron Wk	83.0	+	7.5
Rajadamri Htl	17.5	+	1.25
Falls			
Hua Thai Man	75.5	-	6.5
[illegible]	156.0	-	18.0
Thai Rayon	166.0	-	12.0

New York and Toronto prices at 12.30pm.

Mannesmann at low end of forecasts

By Michael Lindemann in Bonn

Operating profits rise 50% to DM900m but analysts see possible difficulties this year

Mannesmann, the leading German engineering and telecommunications group, yesterday reported a 50 per cent rise in 1995 operating profits to DM900m ($604m). But analysts said the improved figures were at the bottom end of expectations and suggested the group would find it more difficult in a slower moving economy this year.

Several analysts said they were surprised that new orders had risen just 4 per cent to DM34.9bn.

"Clearly the first nine months of last year were good for Mannesmann, but things seem to have tailed off considerably in the last quarter and that could make it more difficult for the group this year," an analyst said.

Mannesmann shares fell slightly following the release of preliminary figures, one of only a few shares to slide yesterday in Frankfurt, closing at DM500.50, down DM2.35 on the day. Final figures are expected in April.

The group also said it had taken its loss-making household goods business, which had sales of about DM1.3bn last year, out of the trading division and put it under the control of the holding company. This was a first step towards a possible disposal, analysts said. However, the company said it was too early to suggest that the unit would be sold.

All of the group's four operating divisions reported profits but the bulk of the improved results came from the telecoms division – which doubled its unspecified profits – and the plant and engineering division, Mannesmann's largest unit with turnover of DM14bn. The management board said it would raise the dividend by DM2 to DM8.

The Düsseldorf-based group restructured last year, and sold its Hartmann & Braun electronics division.

The group said that new orders had risen 5 per cent, adjusted for disposals and acquisitions.

Sales last year rose 6 per cent to DM32.2bn, buoyed by increases at the telecoms, plant and engineering and automotive components divisions.

The improved profits in the engineering and plant division were helped mainly by Rexroth, the hydraulics group, which saw sales rise 15 per cent to DM3.8bn.

Profits at the automotive components division, which is made up of VDO and Fichtel & Sachs, were roughly as high as they had been in 1994 despite "continuing pressure on prices", the company said.

The group said it had plans for satellite guidance systems for cars, which it was developing. In the spring it would begin a one-year pilot project in the Rhine/Ruhr region involving about 1,000 cars, the group said.

Lex, Page 22

David Buchan on the French government's decision to sell Thomson as a single unit

A sale of two halves in one

The only condition that the French government has so far attached to the privatisation of the Thomson group by the end of this year is that it wants to sell it off as one unit.

So the two halves of the group – Thomson-CSF, the professional and defence electronics company in which the state-owned Thomson SA holding company has a 58 per cent stake, and Thomson Multimedia, the consumer electronics company which Thomson SA owns 100 per cent – will go to auction as a job lot. The government has not yet decided between a public flotation and a straight sale to another company.

The government's motive is obvious. It wants to use Thomson-CSF's basic profitability to carry the sale of Thomson Multimedia which, struggling under heavy debts is finding it impossible to turn an operating profit into an overall financial one. The two halves of the group are therefore locked together, at least for the duration of the privatisation.

Much of Thomson's recent history is the accordion-like relationship between its two parts – moving apart and then back together. Inevitably, much of this has to do with the dominant figure of Mr Alain Gomez, who until his resignation was announced by the government on Wednesday was the longest serving head of a French state company. Mr Gomez was brought in by the Socialists to supervise Thomson's nationalisation in 1982. Far from falling at the first change of government, he survived seven governments and had his term renewed a record four times.

A former army parachutist, Mr Gomez always seemed to favour the military wing of his empire. He was the president of Thomson-CSF as well as of the Thomson SA holding company. Thomson Multimedia, despite its state ownership tie, remained under a separate presidency.

Gradually despairing of the heavy losses chalked up by Multimedia, Mr Gomez acquiesced in then Prime Minister Edith Cresson's scheme in 1992 to slice off Thomson's consumer electronics and pair it with the French atomic energy commission's industrial division, CEA Industries. That never got off the drawing board, though it did indirectly lead the French government to use CEA Industries to recapitalise SGS-Thomson, the Franco-Italian chip-making company, which now turns a profit and in which Thomson-CSF holds 20 per cent.

However, since then, as Multimedia has clawed its way back into operating profit, Mr Gomez has seemed more favourable to keeping Multimedia within the Thomson fold.

Mr Marcel Roulet, the new Thomson president charged with privatising the group, comes from the neutral background of France Télécom, which he headed until last year. He may be more open to the argument that synergy exists between the group's constituent parts. But in truth, these remain limited to, for example, civil uses of plasma screen displays used in military aircraft, digital TV technology and a common laboratory in Rennes, which exploits Thomson-CSF military advances mainly to serve Multimedia's research needs. Apart from this, Mr Alain Prestat who took over Thomson Multimedia in 1992 and who is expected to stay on, has operated more or less on his own, while benefiting from group help on substantial acquisitions.

The purchase in 1988 of RCA and General Electric's television operations has helped make Thomson Multimedia the market leader in the US, putting the French state in the odd position of being America's biggest TV maker. Privatising it therefore has political logic.

The sale of Thomson-CSF has more financial logic to it. In his determined way, Mr Gomez has bucked the trend of declining defence orders by "buying turnover" worth FFr15bn a year over the past five years, picking pieces of Philips and Ferranti and diversifying more in civil business (now one-third of turnover) like air traffic control and simulators.

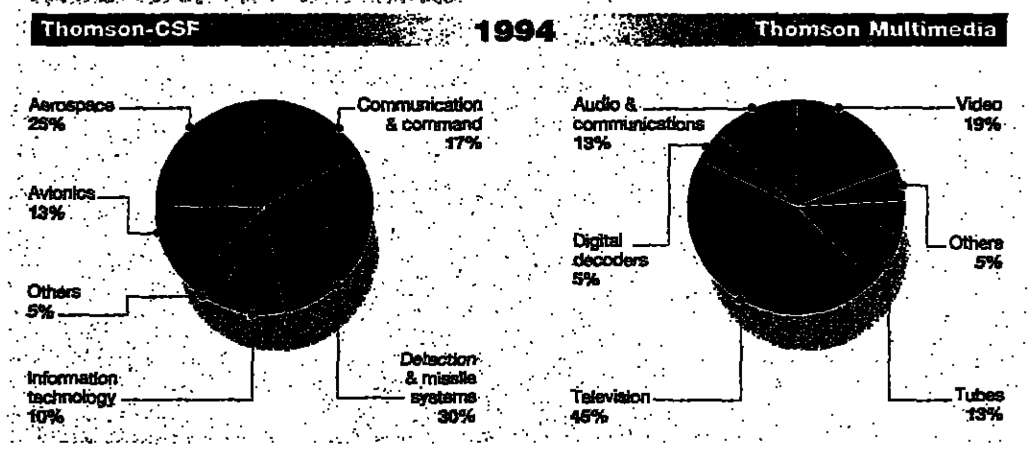
Mr Gomez's penchant for buying defence companies in an era of declining military orders led one analyst to liken him memorably to "a penguin on an iceberg floating towards the equator who keeps adding ice cubes to stay afloat". But Thomson-CSF, which made a lot of money on Saudi Arabian defence contracts in the 1980s, has done all this without piling up debts. The fact that it plunged into the red in 1993-94 was due to its ill-advised decision in 1989 to take 18.9 per cent in Crédit Lyonnais. But thanks to the government rescue of that bank, it and Crédit Lyonnais are back in the black.

Expansionist to the end, Mr Gomez was plotting a big tie-up with GEC of the UK, but the government effectively dismissed him for cutting across its goal of encouraging French defence companies to regroup among themselves before forging new European ones.

Among the French groups likely to be interested in Thomson's privatisation, Alcatel may be too preoccupied by its own problems to play much of a part, while Dassault Electronique could be destined to join Dassault Aviation in marriage to Aérospatiale. But Mr Gomez's departure will only whet the appetite of Mr Jean-Luc Lagardère to get at least a piece of Thomson for his Matra Defence division. Thomson-CSF's 60 per cent share of the French defence electronics market is tempting bait.

FFr m	THOMSON GROUP	THOMSON CSF	THOMSON MULTIMEDIA
Turnover	74,421	36,388	38,146
Operating profit	2,636	2,173	604
Net profit	-2,163	*-962	-596
Capital	520	13,256	1,143
Net debt	20,276	124	12,113

* Largely due to holding in Crédit Lyonnais



British Gas may face three MMC referrals

By Robert Corzine

British Gas could be involved in as many as three Monopolies and Mergers Commission inquiries in the run-up to its proposed demerger next year.

The company said yesterday it might turn to the MMC, an anti-trust investigative body, to settle its dispute with North Sea gas producers over £40bn of take-or-pay gas contracts.

Mr Richard Giordano, British Gas' chairman, said the take-or-pay issue is a continuing drag on the performance of the company, which yesterday reported a "disappointing" fall in historical cost profits for 1995 to £903m, against £927m in 1994.

Two other MMC references could be made in connection with price reviews being undertaken by Ofgas, the industry regulator, on the company's remaining monopolies in gas transportation and supply to households.

The company wants producers to renegotiate the take-or-pay contracts, which commit it to buying gas it no longer needs at prices that are more than twice as high as those quoted on the informal spot market for gas.

Mr Giordano said the company is prepared to seek solutions further afield. Some British Gas executives yesterday speculated that the issue might eventually be heard by the European Court.

The company said the take-or-pay contracts are a big factor behind yesterday's warning that it stands to lose £400m this year in the industrial and commercial gas markets open to competition as a result of the current gas surplus depressing prices. It made a £150m profit in the market as late as 1994.

Mr Giordano said a possible referral to the MMC or to the Office of Fair Trading would be based on competitive issues. He claimed that the producers had formed "an accidental contract cartel" that was restricting competition in gas trading.

Two weeks ago British Gas announced a demerger motivated by its desire to protect TransCo, its profitable pipeline operation, from the liabilities associated with the contracts. Mr Giordano said the demerger, planned for spring 1997, may be brought forward to the end of this year.

He said recent visits to big institutional investors confirmed shareholder support for the scheme. "The fundamental benefits of the demerger are understood," he said.

Lex, Page 22

Cost of restructuring holds back Pharmacia & Upjohn

By Hugh Carnegy in Stockholm

Pharmacia & Upjohn, the newly-merged Swedish-American drugs group, said yesterday merger and restructuring costs had pushed down net profits from $833m in 1994 to $739m last year. However, underlying earnings per share were ahead 8 per cent.

Reporting combined figures for the two companies, which joined in November, Pharmacia & Upjohn said net profits before restructuring and merger costs rose from $847m last time to $924m. Earnings per share rose to $1.80 from $1.66. After restructuring and merger costs, earnings per share dipped from $1.63 to $1.43.

In Stockholm, shares in Pharmacia & Upjohn, which had risen sharply since the merger, fell SKr5.00 to close at SKr287.50.

The new group, one of the world's top 10 pharmaceutical companies by sales, said the cost of joining the two units was likely to exceed predictions at the time of the merger by 10-20 per cent. Costs of reducing the combined workforce from 34,000 to 30,000 were higher than expected.

Mr Bob Salisbury, chief financial officer, insisted that overall the merger was proceeding as planned. "It is right on track," he said. "Everything we have seen to date shows we are going to achieve exactly what we said we would at the time of the merger."

Mr John Zabriskie, chief executive, added: "We expect to realise cost savings of more than $500m a year by the end of 1998, 85 per cent of which are expected to have a full-year effect in 1997."

The group has established its world headquarters in Windsor, west of London.

Meanwhile, group sales for the company's diverse range of products, which include infectious disease, metabolic disease, oncology and ophthalmology treatments, rose 3.6 per cent, from $6.7bn to $6.9bn.

Growth was below industry average levels and Mr Salisbury acknowledged that, for now, performance enhancement would come from increased efficiencies. He said in 1996 sales would still be affected by patent expiries on some of the group's drugs. But after 1996 it would start seeing accelerated sales growth.

ICI considers share buy-back

By Jenny Luesby in London

Imperial Chemical Industries yesterday said it was considering buying back some of its shares, as it unveiled an 85 per cent increase in pre-tax profits last year, to £951m ($1.4bn).

The group's gearing had fallen to 2.2 per cent at year-end, leaving it with an under-utilised balance sheet, said Mr Alan Spall, finance director.

"This is not in line with good management policy and you can expect this to change," he said.

The prospect of a buy-back, and the group's resilience during a difficult fourth quarter for the chemicals industry lifted the shares by 25p, to close at 857p.

Prices and demand had fallen off, the group said, but margins had not, and while fourth-quarter profits of £198m were below third-quarter levels, they were up 30 per cent on a year earlier.

This demonstrated ICI was "more robust than historically" in the face of the adverse impact of the cycle, said Mr Charles Miller Smith, chief executive.

This had been helped by the group's "value gap" programme. This was on target to bring gains of £400m a year by 1997, through a halving of fixed costs, and a 40 per cent increase in gross margins, he said.

The group's shift away from Europe had also made it more resilient, with its Asian business proving increasingly profitable.

"By 2005, Asia and America will account for 60 per cent of group sales, from 40 per cent today: and most of that growth will be in Asia," said Sir Ronald Hampel, chairman.

The group was considering a share buy-back, it said, even though, with its financial base in the UK, there were tax disincentives. Another alternative would be acquisitions.

The company would be happy to lift gearing to around 25 per cent, which would give it £2bn to £3bn of fire-power, said Mr Spall.

Each 10 per cent of gearing is equivalent to about £500m.

Nasdaq body fines Hibbard Brown $10m

By Maggie Urry in New York

The National Association of Securities Dealers has imposed a $10m fine, its largest ever, on Hibbard Brown, and expelled the New York securities firm from the association for "defrauding retail customers". Sanctions have also been taken against Mr Richard Brown, president of the firm, and Mr DeJuan Stroud, the compliance officer.

The case related to dealings in shares of two companies, First National Realty Associates and Linkon Corporation, in 1990. Hibbard Brown sold shares to investors at more than double the prevailing market price, in almost 10,000 transactions.

The crack-down comes at a sensitive time for the NASD and its Nasdaq stock market, amid allegations that its market makers have colluded to worsen prices made to investors. The Justice Department and the Securities and Exchange Commission have been investigating the allegations since autumn 1994.

A lawyer for the NASD said the size of the fine was unrelated to the authorities investigations, and that Hibbard Brown was not being made a scapegoat.

Investors will only benefit indirectly from the fine, since a petition to put Hibbard Brown into Chapter 11 bankruptcy was served in October 1994.

Mr John Pinto, executive vice president in charge of regulation at the NASD, said: "This enforcement action by the NASD is a victory for every investor who was defrauded by Hibbard Brown. Although the firm is now under the protection of the bankruptcy court, this fine increases the portion of the bankruptcy proceeds that will be used to pay investors."

Mr Brown has been fined $300,000, censured, barred from associating with any NASD member or from owning a more than 5 per cent interest in any Nasdaq company, or serving as an officer or director of a Nasdaq company. Mr Stroud has been fined $25,000, censured and barred from association with any member in a principal capacity for a year.

The firm, and Mr Brown, admitted selling shares in FNRA to customers at prices between double and 145 per cent higher than the market price, and of shares in Linkon at 140 per cent above the market price. Customers were told that the prices were "at the market" even though the firm controlled the market for both stocks. The firm also failed to tell the SEC that it owned more than 10 per cent of FNRA's equity.

Shake-up for Sprint's cable TV joint venture

By Tony Jackson in New York

The $4.2bn joint venture between Sprint, the US long-distance phone company, and three US cable TV companies is to be restructured as part of a change of strategy. The venture, to be named Sprint Spectrum, will be run by a four-person partnership committee, and five regional headquarters will be set up across the US.

The changes reflect an apparent scaling down of the venture. The original plan was for the cable partners – Tele-Communications Inc, Cox and Comcast – to upgrade their cable links into 10m homes to accommodate wired telephony, which would then be offered to customers in bundled form along with wireless and long-distance services.

Instead, the cable partners have now opted to strike deals directly with Sprint in selected local markets. Though Spectrum will have the option to offer local telephony as part of a bundled service, it will not be directly involved in the negotiations.

As part of the changes, Mr Ronald LeMay, head of the venture, will return to Sprint as president and chief operating officer. An outside candidate is being sought to replace him. Mr LeMay, formerly head of Sprint's long-distance operations, was appointed to run the venture last March.

Sprint said yesterday that plans for Spectrum to offer wireless telephony were unchanged. The venture has already spent $2.1bn for PCS wireless licences, and plans to spend another $2.1bn on installing the network by the end of 1997.

Owens-Corning arm reveals takeover recipe

Pilkington purchase has taught unit some important lessons, writes Clare Gascoigne

The Pink Panther is the one of the first sights to greet a visitor to Owens-Corning's insulation factory near Manchester in the UK. The character – used extensively in Owens-Corning's US marketing to promote its pink-coloured building products, and in the UK its Supawrap loft insulation – stands guard over a notice giving the number of days since the last accident caused machine downtime.

Mr Warren Knowlton, president of the European building products operations, believes such direct, high-profile communication is an important element in the UK operation's 30 per cent sales growth since Owens-Corning spent £73m ($113m) buying Pilkington's insulation business in June 1994.

The lessons learned were such that Mr Knowlton now gives talks to senior Owens-Corning management on the experience of an acquisition.

A takeover, he says, is more about the aftermath than the deal itself. "You have to think about integration before closing the deal," he says, quoting research that found that between 80 per cent and 90 per cent of acquisitions by US companies outside the US fail.

The deal, he stresses, is only the tip of an iceberg – making it work is the important bit. And of all the elements of making it work, communicating core messages and strategies to the workforce was perhaps the most crucial.

Indeed, one of the goals Mr Knowlton set for the acquisition was that employees should know both what was going on and what was in it for them. He faced very worried employees in 1994: worried about an invasion of Americans, worried about the security of their jobs, and worried about their future.

"People had an emotional reaction and there was a tendency to deny the evil day. Productivity drains away in this situation and people lose sight of the customer. You have to get people refocused on the customer."

He also faced a workforce used to being a non-core division, with a consequent lack of interest. Investment of about $15m in the UK helped persuade people that Owens-Corning was serious, followed up with constant repetition of the message of individual responsibility. "I had to say: 'I cannot guarantee your jobs. Only you can do that.'" he says.

The introduction of gain-sharing and pay for performance hammered home the same message. "People have to understand the drivers of the business and we learnt pretty quickly that if it affects their pay, people understand it," he says.

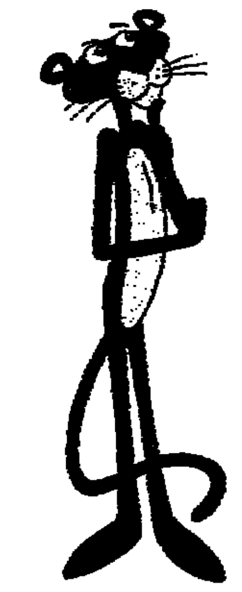
Making clear the link between factory line down-time and profitability brought the customer closer to the shop floor. "Customer satisfaction is measured by market share. You have to focus on repeat business," he says.

The other problem Mr Knowlton had to tackle was integrating the European division. Having lived in Belgium for some time he was not surprised by the lack of common European perspective, but he wanted to create a common set of values.

"There has to be a common set of expectations about how to behave so that, for example, everyone is trying to reduce cycle times," he says. "You have to speak a common language."

One of the lessons of the acquisition that he feels companies ignore at their peril is that of "soft" due diligence – relating to employees' needs and expectations, and their emotional response to the takeover.

It is important, he believes, for senior managers to be accessible – but not only during official office hours. Being seen in the social club, going to sporting events or dances are just as important; being around when people are at their most relaxed can make a significant difference to the feel-good factor.



Pink Panther: used extensively in the group's US marketing

Price rises behind surge at Brazilian pulp maker

By Angus Foster in São Paulo

Aracruz Celulose, the Brazilian eucalyptus pulp maker, has announced an almost five-fold increase in profits for last year, helped by a jump in international pulp prices and a sharp improvement in financial income.

Net income at the company, one of Brazil's biggest exporters, increased to US$386.1m in the year to December 31, compared with $67.2m in 1994. The performance marked a cyclical turnround since 1993, when Aracruz announced a net loss. However, last year's figures were below some analysts' expectations.

Mr Luiz Kaufmann, chief executive, said last year was the "best single year performance" in the company's history. He added that while pulp sales volumes and prices weakened at the year-end due to destocking, the outlook remained favourable: "We believe a balanced supply and demand position can be achieved later in 1996 once the current destocking phase draws to a close."

Average price increases of 63 per cent helped operating revenues increase 52 per cent to $767.3m, despite a small fall in sales volume. Aracruz produced just over 1m tons of bleached eucalyptus pulp and sales totalled 983,000 tons, a drop of 8 per cent.

Operating income more than doubled to $348.9m after operating costs increased 6 per cent, partly due to wage pressure in Brazil.

The group enjoyed a big turnround in financial income, which produced gains of $68.1m, mainly from arbitraging between Brazilian and international interest rates, compared with a loss in 1994 of $92.8m.

Earnings per share were 0.3584 cents.

Aracruz, which is listed on the New York Stock Exchange and releases results under US GAAP, also announced that under Brazilian accounting rules its net income reached R$326.4m (US$332m), compared with R$304m in 1994.

AMERICAS NEWS DIGEST

Hewlett-Packard buys SecureWare

Hewlett-Packard has acquired SecureWare, a leading developer of software which enables secure banking on the Internet. The move follows technical alliances between Oracle and Verifone, and Netscape and Verifone, also aimed at creating secure transaction systems for the global public network. To date, security concerns have limited the use of the Internet for commercial transactions and leading software and computer companies are racing to create security standards.

SecureWare, a small Atlanta-based company, has developed some of the world's most secure computer systems, including those used in the Global Decision Support System for the US Air Force Mobility Command. Last year the group developed software for the first bank to conduct transactions on the Internet. The standard methods of protecting corporate networks and databases from computer hackers are not sufficient to ensure the security of banking and transaction records, Hewlett-Packard said. Firewalls – software barriers designed to prevent unauthorised entry into a computer system – have been breached on several occasions.

The Hewlett-Packard approach involves elaborate defences built into the core of the computer's operating system. These "trusted operating systems" are used in military computers and eliminate the possibility of any single computer user taking control of the computer in the guise of an administrator.

Louise Kehoe, San Francisco

Flat sales keep Vitro in red

Stagnant sales and a foreign exchange loss of 660m pesos ($87.6m) kept Vitro, Mexico's dominant glass manufacturer, in the red, with a fourth-quarter loss of 474.5m pesos, compared with a 2.1bn peso loss a year earlier. Sales for the quarter fell 2 per cent to 5.3bn pesos, although operating income of 475m pesos compared well with the 18m pesos for the fourth quarter of 1994. For 1995, sales were 21.9bn pesos, down 1.2 per cent, while operating income rose 56 per cent to 2.7bn pesos. Net profit for 1995 was 835.6m pesos, after a 1994 loss of 1.67bn pesos. Exports increased 17.5 per cent to $524m, and 66 per cent of total sales came from outside Mexico. Vitro has operations in six countries, but its biggest foreign subsidiary, Anchor Glass Container, which announced a net loss of $66m for 1995 on sales of $956,639, has been a drain on resources.

Daniel Dombey, Mexico City

Crown Cork Seal unit declines

CarnaudMetalbox, the French-based packaging group acquired at the end of last year by Crown Cork Seal of the US, yesterday reported net income down 15 per cent to FFr805m ($160.9m) for 1995. Mr Tommy Karlsson, chairman, said the lower profits reflected an inability to pass on raw material costs in its prices; start-up costs in Asia; and adverse currency movements. Turnover dropped 1 per cent to FFr24.6bn, and operating profit fell 20 per cent to FFr1.8bn. Net financial charges rose from FFr508m to FFr558m, and there were reorganisation costs of FFr250m, after FFr288m a year earlier.

Andrew Jack, Paris

Chile investment for Nova Corp

Nova Corp of Canada, the mining group, is looking at a further US75m investment in its methanol plant on the Magellan Straits, near Punta Arenas. It is currently carrying out works to double the existing capacity of 800,000 tons, to reach 1,725,000 tons by the end of this year. The further expansion would make the Chilean plant the biggest in the world, at 2,700,000 tons.

Imogen Mark, Santiago

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EUROPEAN NEWS DIGEST

Impregilo cuts loss to L15bn for year

Impregilo, the largest Italian construction company, returned to net profit in the second half of 1995 and expects a small surplus this year, despite poor prospects in the sector within Italy. The company, which relies on non-European countries for more than half its contracts, ended 1995 with a net loss of L15bn ($953,000), against a L47bn deficit the previous year, after making net profits of L17bn in the second half.

Mr Franco Carraro, chairman, said Impregilo was selling its IPI real estate interests to concentrate on core activities, thereby reducing net debts from L910bn to L680bn. Impregilo forecasts turnover of L2,800bn in 1996, against L2,400 this year.
John Simkins, Milan

Pliva plans global offering

Pliva, a Croatian pharmaceutical manufacturer, confirmed plans to sell about 30 per cent of its share capital in the first global equity offering by a Croatian company. Pliva hopes to raise about $100m from the sale of shares held by its majority shareholder, the Croatian Privatisation Fund. The offering, which should come to market by the end of June, will be divided equally between international and domestic investors.

After the sale, more than 50 per cent of Pliva's share capital will be held by private investors. The European Bank for Reconstruction and Development is converting credits into a 11 per cent stake in Pliva and its employees will own a stake of about 10 per cent. Applications will be made to list Pliva's shares and Global Depositary Receipts in London and for a share listing in Zagreb.
Antonia Sharpe, London

Fiat silent on Garuzzo rumour

Fiat yesterday would neither confirm nor deny Mr Giorgio Garuzzo, the group's chief operating officer, would depart at the end of this month – a few days before Mr Gianni Agnelli is due to hand over Fiat's chairmanship to Mr Cesare Romiti.

Mr Garuzzo made clear to friends a month ago, as reported in the Financial Times, that he did not expect to survive as the group's chief operating officer after the assumption of the chairmanship by Mr Romiti, with whom Mr Garuzzo's working relationship has deteriorated sharply over the past two years. The COO's post will in any case disappear under a management restructuring which will effectively see Mr Paolo Canatarella, head of the cars division, become Mr Romiti's new deputy.
John Griffiths, London

Hungary to privatise hotel

Hungary is to sell a 95 per cent stake in the Forum, one of the last top class state-owned hotels to come up for privatisation. APV, the state privatisation agency, said it would invite 15 potential investors to participate in a closed tender to be published on February 29, with the bid deadline in April.

The Forum, managed by Intercontinental, the Japanese hotel group, was formerly the flagship hotel in the HungarHotel chain which came close to privatisation last year. The sale of a 51 per cent stake in the chain to American General Hospitality for $57.5m was called off after the Socialist-led cabinet and industry lobbies claimed the price was too low. APV hived off the Forum from HungarHotels last December. It intends to sell the chain which owns 14 other hotels later this year.
Virginia Marsh, Budapest

■ Banque Indosuez, the banking arm of the Suez, the French financial and industrial holding company, is closing its market operations in Frankfurt as part of its strategy of refocusing its activities. The areas affected will largely be in the bond market and the money market. The bank stressed it would continue to serve its German customers and trade in D-Mark products, largely through its operations based in Paris.
Andrew Jack, Paris

Enlarged Viag meets forecasts

By Michael Lindemann in Bonn

Viag, the German energy and industrial group, yesterday reported operating profit for 1995 of DM2.1bn ($1.45bn), in line with forecasts, and said it would increase its dividend by DM2 to DM12.

Despite the half-hearted forecast for German economic growth this year – and the fact that most of Viag's industrial activities are dependent on business cycles – the Munich-based group said it remained "confident" about prospects for the rest of 1996.

Two thirds of the rise in operating profits, which jumped from DM850m in 1994, were due to the first-time full consolidation of the Bayernwerk utility, the mainstay of Viag's business. However, the group said it had also improved earnings at part of its packaging division and at its Kühne & Nagel transport unit.

According to preliminary figures for 1995, group turnover rose 46 per cent to DM42.2bn, again driven mainly by the Bayernwerk acquisition. Final results are expected in May.

However, the company said business had also been good at a number of its industrial activities, including chemicals, aluminium, steel trading and at parts of the Schmalbach-Lubeca packaging business. Adjusted for disposals and acquisitions last year, group sales rose 8 per cent.

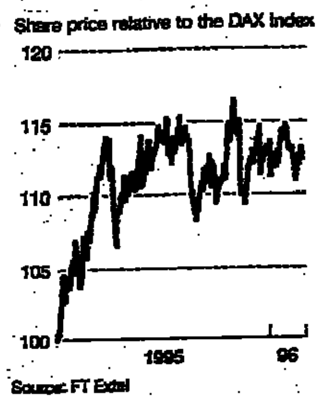
Schmalbach-Lubeca overall was the only unit not to meet the earnings and turnover targets, Viag said.

Demand for tinned food in Germany has fallen considerably as consumers prefer deep-frozen products in cardboard packaging, a development which has hit Schmalbach-Lubeca's metal packaging business, the company said.

VAW, the aluminium producer, benefited from relatively high aluminium prices and the better business climate last year, Viag said. Gerresheimer Glas, the glass business, was able to increase its unspecified profits through productivity gains and said it would make an "appropriate" dividend payment, its first in three years.

Viag said it had invested DM3.3bn last year, mainly at Bayernwerk which is expanding its activities in former eastern Germany, and has recently bought majority stakes in the DEDASZ electricity utility and the KOGAZ gas distribution network in Hungary.

The group, which recently announced a telecoms alliance with RWE of Germany and British Telecommunications, the UK-based operator, said it would apply for a licence to operate Germany's fourth mobile phone network and expected a decision later this year.



Stena blames Eurotunnel for profits downturn

By Christopher Brown-Humes in Stockholm

Stena Line of Sweden, the world's biggest ferry operator, said yesterday that intense competition from Eurotunnel, the Anglo-French operator of the Channel Tunnel, was partly to blame for a sharp drop in its 1995 profits.

Stena, one of the two big ferry rivals to the tunnel, said profits were SKr201m ($29.7m), less than half the SKr502m achieved a year earlier. It cut its dividend to SKr0.75 per share from SKr1.1.

Mr Bo Lerenius, chief executive, said Stena had seen its passenger and freight volumes between Dover and Calais fall by 6 per cent in 1995, even though the market grew by up to 20 per cent.

He estimated that Eurotunnel had gained slightly more than 30 per cent of the market for passengers and freight. He put Stena's share slightly below this level, and ferry rival P&O slightly above.

Price competition had been fierce, he said, because Eurotunnel had abandoned an initial strategy of seeking premium prices to try to build up volumes. "They ended up behaving just like a ferry operator," he said.

"Eurotunnel is going to be the biggest player, but there will still be enough space for two ferry operators long-term."

Bo Lerenius: sees Eurotunnel becoming the biggest player

Mr Lerenius said. At present four ferry groups compete against the tunnel.

Stena said it had also been hit by the aftermath of the sinking of the Baltic ferry Estonia in 1994 because this had deterred overnight travel on some of its Scandinavian ferry routes.

Group turnover rose slightly from SKr9.41bn to SKr9.43bn. The number of passengers carried rose 1 per cent to 14.9m and freight volumes increased 3 per cent.

Stena is expecting better figures in 1996, helped by reduced cross-channel price competition and the introduction of a revolutionary series of fast ferries on two of its Irish routes.

Statoil slips as prices and output fall

By Christopher Brown-Humes

Statoil, the Norwegian state oil company, yesterday reported net profits of NKr5.3bn ($833.4m) for 1995, a slight decline from a record NKr5.4bn a year earlier. The result was hit by lower oil prices, reduced production, and "extremely poor" refining margins.

However, Borealis, the group's petrochemicals joint venture with Neste of Finland, produced very strong earnings and the group achieved significant cost-savings in its Norwegian fields.

Statoil, which last year acquired Aran Energy of Ireland for £200m ($308.8m), said its pre-tax result fell from NKr16.9bn to NKr14.7bn. The after-tax impact was cushioned because the group's land-based activities, including Borealis, are less heavily taxed than its oil production.

Operating profits dropped from NKr14.7bn to NKr13.6bn, partly because of lower exploration and production profits. Average oil production was 25,000 barrels a day lower at 424,000, due to declining production from the mature Statfjord field.

Although dollar-based oil prices were slightly higher, krone prices fell from NKr111 to NKr108 a barrel because of the stronger Norwegian currency.

The group's purchase of Aran continues a drive to expand international activities which began in 1990. However, it does not expect its non-Norwegian exploration and production businesses to make profits before the end of the decade.

The group's other main divisions – refining/marketing and petrochemicals – showed opposite trends from 1994. Refining and marketing profits plunged to NKr1bn from NKr245m, reflecting the severe overcapacity in the European sector that has wrecked margins; petrochemicals profits, however, surged from NKr204m to NKr1.1bn due to a strong upturn for this highly cyclical business.

The company believes its 1996 results could be slightly down on last year's levels because petrochemicals prices have been falling since the fourth quarter.

The group is paying a NKr1.85bn dividend to the Norwegian state, up NKr236m from 1994.

Steady year at Henkel

By Wolfgang Münchau in Frankfurt

Henkel, the German consumer goods and chemicals company, yesterday reported another steady year, with 1995 turnover up 1 per cent to DM14.2bn ($9.7bn), and net profits ahead 5 per cent to DM488m.

The results, which did not include Schwarzkopf, the haircare group in which Henkel took a 77 per cent stake last November, were in line with analysts' forecasts.

The company, best known in Germany for Persil washing powder, said its results were affected by the strength of the D-Mark last year and its effect on exports.

Henkel's chemical products division, which takes in lipids, glycerin, vitamin E and various raw materials for use in the cosmetics industry, had a marginally lower turnover than in the previous year. However, on the basis of local currencies, turnover here went up by 7 per cent.

The group said two of its businesses had a difficult year. The cosmetics and hygiene division suffered a 2 per cent drop in turnover, while the washing powder and cleaning solutions business was flat, with turnover at DM4.1bn. Adhesives and chemo-technical managed a 9 per cent increase in turnover to DM2.17bn.

Henkel expects "moderate" growth in Europe and North America and continued strong growth in south-east Asia.

Cost savings help put Verbund ahead

By Eric Frey in Vienna

Verbund, Austria's largest utility group, lifted its operating profit 12 per cent from Sch1.25bn in 1994 to Sch1.4bn ($137m) last year, defying analysts' predictions of flat to lower earnings.

Mr Michael Pistauer, finance chief, attributed the gains to rigorous cuts in costs and higher electricity exports. Net income slipped from Sch1.28bn to Sch1.27bn last year because of a higher tax bill, he added. Group revenue advanced 1.2 per cent from Sch19.3bn to Sch19.5bn.

Verbund shares climbed 1.2 per cent in active trading on the Vienna stock exchange. Before the announcement, analysts had predicted 1995 operating income of between Sch1.1bn and Sch1.3bn. The 1995 results were hurt by Verbund's strong exposure to the Swiss franc bond market, where the company has about Sch10bn in outstanding debt. The rise of the Swiss currency forced Verbund to make a provision of more than Sch570m last year, but lower interest rates in Switzerland added Sch170m to the financial result last year, Mr Pistauer said.

Verbund cut its staff from 5,200 to 4,700 last year and reduced personnel costs by 9 per cent. It is about to streamline its corporate structure and make further modest staff cuts, Mr Hans Haider, chairman, said. The new structure, which should come into effect by 1998, will split the company into four divisions: production, marketing and distribution, outside holdings and new areas of activity.

However, some analysts say this is not enough to make the company fit for the expected liberalisation of the European utility industry. Verbund will have to shed up to 2,000 employees by 1999 to bring its costs in line with foreign competitors, said Mr Gerhard Fleischer, chief equity analyst of Creditanstalt Investment Bank.

Verbund has a near-monopoly in power production and transmission, but most of the Austrian retail market is controlled by regional utilities. The group is 51 per cent owned by the federal government, but its free float of 49 per cent constitutes the highest capitalisation on the Vienna stock market.

INTERNATIONAL COMPANIES AND FINANCE

Volvo's growth strategy enters a tight chicane

Its fall into losses raises doubts about whether the car maker can continue to go it alone, says Hugh Carnegy

Two years after Volvo spurned a merger with France's Renault, the Swedish vehicle manufacturer still has a long road to travel to prove it can survive as an independent car maker.

The news this week that Volvo's car operations slumped to a SKr841m ($124m) loss in the fourth quarter of last year has brutally dispelled any illusion created by a surge of profits in 1994 and early 1995 that the company was well on the way to the secure future as a stand-alone, quality car producer that so many Swedes crave for the country's biggest manufacturing group.

Volvo's car division – the biggest part of the Volvo group and its heart – has entered a tight chicane. Just as it is running up huge development costs to build up its narrow model range, it has been caught by slackening demand in many of its biggest markets and hit by the negative effects on a Swedish exporter of a much stronger Swedish krona.

The result in 1995 was that the operating profit margin for the car division tumbled to 1.3 per cent, compared with the target level Volvo has set for itself of 7 per cent over a cycle.

The painful truth is that even at the peak of the cycle in the first quarter of last year, when the Swedish krona was weak, Volvo cars still only managed an operating margin of just over 4 per cent.

These figures raise the question whether, after all, the strategy pursued in the early 1990s to merge with a volume car maker was not correct.

The fundamental thinking then was that a medium-size producer like Volvo could not achieve the economies of scale in such a capital intensive and cyclical industry to survive on its own.

But Mr Sören Gyll, Volvo chief executive, and Mr Tuve Johannesson, head of the car division, are adamant that they remain on the right road. "The fourth quarter was bad," Mr Johannesson said on Wednesday. "But the measures we are taking now will lead us on to much better profitability."

One immediate measure is an urgent programme to cut costs by reducing the near 30,000-strong car division workforce by more than 2,250, the majority through slimming the production process, but also through efficiency drives in administration, marketing, distribution and purchasing.

However, these reductions are essentially only a minor adjustment in a wider strategy to expand Volvo's car making base to a point where the company believes it will at last achieve critical mass.

The key to this is a surge in investment by the Volvo group over the next several years to levels of about SKr8bn a year, compared with less than SKr5bn in 1995. Total capital outlays are set to range up to SKr12bn a year. The big majority of this is to be spent within the car division.

Volvo can afford these outlays because of its extensive divestments of non-core assets – worth in total some SKr50bn – and because group profitability has been held up by a strong performance from the truck division. The truck operations returned a record operating profit in 1995 of SKr5bn, compared with the full-year car division surplus of SKr1bn.

Essentially, what Volvo is attempting is a crash development programme to build out its model range and increase volumes from about 350,000 cars a year to 500,000 to underpin its independent ambitions.

It has established – and will continue to seek – partnerships with other manufacturers for specific projects, but it is still determined not to be subsumed in a big merger like the marriage with Renault it broke off in December 1993.

Last year, Volvo sold 374,600 cars, a 7 per cent rise on 1994. But it knows it cannot reach its target production level based on its present range of the luxury 900 series, flagship 850, and smaller 400 series models.

The 850, introduced in 1992, has been a success. But the 400, produced in the Netherlands, has been a flop, costing up to SKr1bn a year in losses.

Volvo is now aiming to launch a new model every year, working to sharpen its image in the meantime to attract a broader customer base.

The first step is under way with the recent launch of the new S40 and V40 medium-sized saloon and estate-car, built in a joint venture in the Netherlands with Japan's Mitsubishi on a production line that can produce the Volvo and Mitsubishi models simultaneously. The S40/V40 replaces the 400, which will soon be taken out of production.

Next will come further spin-offs from the 850, notably a coupe and convertible being built in Sweden in a joint venture with TWR, the British specialist racing and sports car maker.

Further down the line will be a new "platform" upon which the replacement for both the 900 series and the 850 will be based. The intention is to maximise returns by building as many high-value cars off the same basic platform as possible.

Mr Gyll will not say how long Volvo needs to fulfil its strategy. "We will certainly not see it in 1996," says Mr Jan Dworsky, analyst at Fiba Nordic Securities in London. "It will take a few years until we have proof of whether their ambition to be a new BMW really works."

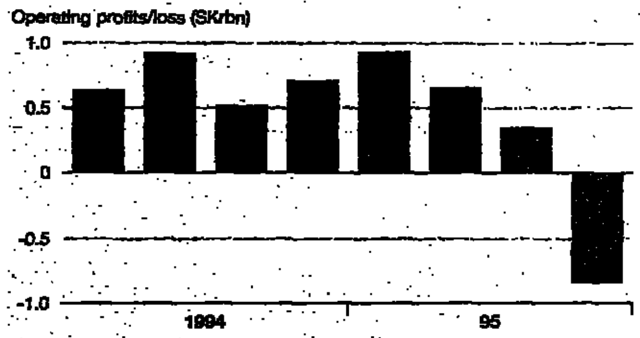
He points out that in the meantime, Volvo has little room for manoeuvre. "They are much more vulnerable than other, bigger companies. They cannot afford to fail with any new model."

The pressure is especially intense because, unlike many Swedish companies, Volvo has no built-in "poison pill" in its ownership structure to protect it against a takeover bid.

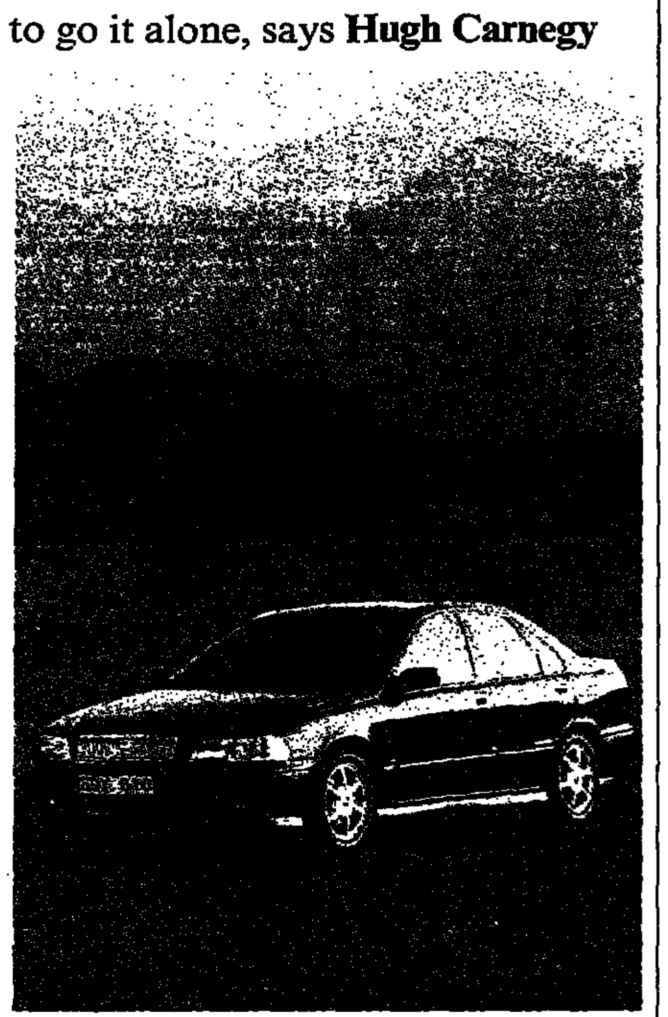
Any suitor – and none has emerged to date – might well be put off by what happened with Renault. But the longer Volvo's car division splutters, the more vulnerable the company as whole will seem.

Volvo Car

Operating profits/loss (SKrbn)



Source: Volvo



The S40 model: appealing to a broader customer base

Rewe confident of beating downturn in retail sector

By Michael Lindemann in Cologne

Rewe, Germany's biggest food retailer, expects to raise its turnover to more than DM50bn ($34.4bn) this year. The group, which recently bought a stake in the Pro-7 private television station, claims it is continuing to perform better than the rest of the beleaguered German retail sector.

The privately-owned group said sales rose 5.3 per cent to DM48.4bn last year, but had remained stagnant when based on the same retail space used in 1994. Rewe's share of the German food retailing market rose last year to 16.2 per cent from 15.9 per cent a year earlier.

However, Mr Hans Reischl, chief executive, said the stagnant sales were still significantly better than the rest of the German retail sector, which suffered its third consecutive year of falling sales in 1995.

The federal statistics office said this week that retail sales last year had fallen 2 per cent in real terms compared with 1994.

Mr Reischl said the 40 per cent stake in Pro-7 would provide the group with new opportunities to sell its products. He said the stake was particularly attractive because it offered a return on sales of about 13 per cent, against about 1.5 per cent in the retail sector.

The group, which began as a co-operative 69 years ago, said it would increase its investments this year by DM440m to DM1.2bn, and would open 460 new stores, including 320 discount stores.

Mr Reischl said the group would also step up its investments in Europe to keep ahead of its main German competitors.

Rewe would spend DM170m on European investments this year, including DM60m on two distribution centres, in the Czech Republic and Hungary.

Although an earlier attempt to break into the UK market in 1993 with the retailer Budgens was unsuccessful, Rewe said it was still looking at the market because the return on sales in UK retailing were significantly higher than in Germany.

Den Danske Bank surges on turnround in securities

By Hilary Barnes in Copenhagen

Den Danske Bank, Denmark's largest bank, yesterday announced a sharp increase in net profits to DKr3.63bn ($645.4m) from DKr818m in 1994, largely attributed to gains on its securities portfolio and reduced loss provisions.

Profits on ordinary operations, before extraordinary items and tax, increased from DKr1.70bn to DKr6.03bn.

Mr Knud Sorensen, chief executive, described the result as being "as good as any we have ever had". The board proposed increasing the dividend from DKr12 to DKr16 a share, taking the total payout to DKr847m.

The bank's advance reflected a turnround on the valuation of its securities portfolio, from a loss of DKr224m in 1994 to gains of DKr2.29bn. It also took in a fall in loss provisions to DKr1.25bn from DKr1.87bn; there was also a small decline in operating expenses from DKr5.84bn to DKr5.81bn.

Net earnings from interest and fee income slipped from DKr10.42bn to DKr9.59bn. Mr Sorensen said the bank would pursue an offensive strategy in the face of competition. "We shall not hold back", when it comes to competition on price in the domestic market, he said.

The bank would also continue to expand overseas. It is opening branches in Oslo and Helsinki this year, in addition to its existing branches in Stockholm and London and a subsidiary in Luxembourg. And the bank would also seek to exploit its investments in the insurance industry, which contributed DKr267m to group profits last year.

Deposits increased 12 per cent to DKr172bn, and advances 14 per cent to DKr194bn. This took the market share of deposits from 27.9 per cent to 29.8 per cent and advances from 30.4 per cent to 32.4 per cent.

The balance sheet total rose 15 per cent to DKr390bn. Insurance operations are not consolidated, but would take assets to almost DKr500bn, the bank said.

The capital adequacy ratio at the end of the year was 10.4 per cent.

INTERNATIONAL COMPANIES AND FINANCE

Domestic side drives 15% rise at Qantas

By Nikki Tait in Sydney

Qantas, the recently-privatised Australian airline, yesterday unveiled a 15.2 per cent increase in profits after tax, at A$148.3m (US$112m), for the half-year to end-December. The advance came on the back of higher earnings from domestic operations and falling interest charges.

Mr Gary Pemberton, chairman, said the figure was in line with forecasts made in the Qantas share prospectus. He also indicated that the company – in which British Airways owns a 25 per cent stake – was comfortable about meeting its full-year targets. In the prospectus, Qantas said it expected an operating profit of A$400m in the year to end-June, and an after-tax profit of A$237m.

Total revenues during the first half rose 7 per cent to A$3.88bn, while earnings before interest and tax were 8.6 per cent higher at A$309.7m. Interest costs fell from from A$82.4m to A$63.2m, as debt came down by almost A$250m. The tax charge, however, climbed to A$98.2m from A$74.2m. Earnings per share were 14.2 per cent higher at A$14.68.

Mr Pemberton said the domestic operations had seen a 30.4 per cent increase in pre-interest profits to A$93m, with the latest figures showing Qantas's share of the domestic market standing at about 53 per cent.

The company said domestic passenger revenues rose 11.8 per cent in the first half, with revenue passenger kilometres increasing by almost 12.5 per cent. Yield and revenue seat factor, however, were virtually unchanged – the latter figure slipped just slightly, from 80.4 per cent to 79.8 per cent.

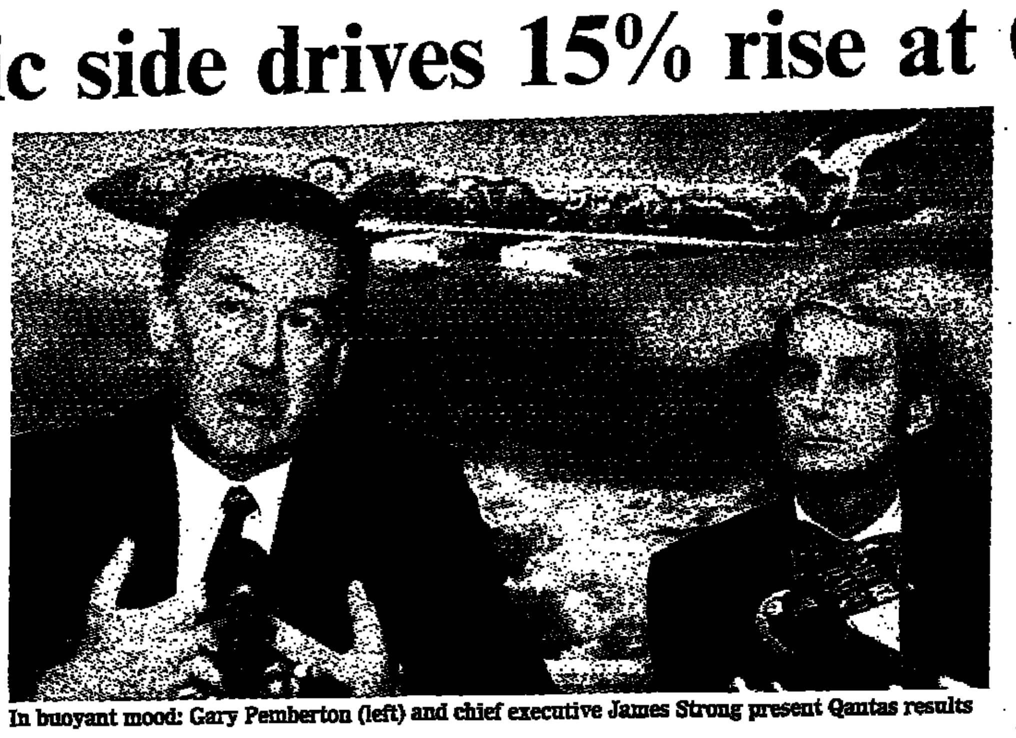
On the international front, by contrast, pre-interest profits were barely changed at A$163.3m – and Qantas reported "significantly lower" returns from routes servicing the US and parts of Asia. It attributed this to "aggressive competition", notably from Air New Zealand over the Pacific and on routes to Hong Kong.

Qantas added that it was on target to meet cost-savings of A$300m during the full year, with around A$150m delivered in the current half-year.

Looking longer-term, Mr Pemberton stressed that the airline's first objectives were to get maximum efficient use of existing assets, continued improvements in the balance sheet, and an operational cost structure which matched regional competitors. He suggested that these objectives would occupy the company for the next 12 to 18 months. Only then, would the idea of "significant further expansion" be entertained.

He also played down recent speculation that Qantas was planning a bid for Hazelton Airlines, the regional carrier.

"It we set out to make a takeover bid, you wouldn't read about it in the newspaper first," he said. But he added: "It would be fatuous for us to say that at some stage we had not looked at that possibility."



In buoyant mood: Gary Pemberton (left) and chief executive James Strong present Qantas results

Moody's sees bleak outlook for Japanese life assurers

By Gerard Baker in Tokyo

The outlook for Japan's life assurance companies, among the world's largest financial institutions, remains bleak, according to a report published yesterday by Moody's Investors Service, the US credit rating agency. The insurers continue to struggle in the harsher economic climate in the wake of the "bubble" era, the report said, afflicted by weak asset-liability rate spreads, poor asset quality, thin capital and intensifying competition.

The life companies invested heavily in equities and property during the bubble, the period of rapidly-increasing asset prices in the late 1980s, and have suffered severely during the collapse of prices in the last five years.

As a result, Moody's said, they now suffered from "spread deficiency", where the aggregate credit rate on their liabilities exceeds the yield on assets. Mr Shunsaku Sato, a Moody's analyst, said the yield on the industry's total assets had dropped by almost 4 per cent in five years. Although companies had managed to reduce the minimum return guaranteed on their policies, they would continue to suffer from spread deficiency for some time.

The falling property market had undermined companies' fundamental strength, since many insurers had significant exposure to real estate. Land prices in the big Japanese cities have fallen by at least 50 per cent in the last five years.

Capital was also a problem. Moody's noted that since the insurers are required to distribute all their surpluses at year-end, they had minimum scope for capital retention. "Book capital as a percentage of assets is negligible," said Mr Sato.

Deregulation was putting further pressure on life insurers, Moody's said. Competition was likely to grow in the next few years, both in the insurers' core business of life assurance, and in their management of the country's pension funds.

Bangkok Bank surprises with 13% growth in profit for year

By Ted Bardacke in Bangkok

Bangkok Bank, Thailand's largest commercial bank, yesterday reported a surprisingly large 13 per cent advance in net profit for 1995, to Bt19.8bn ($785.7m).

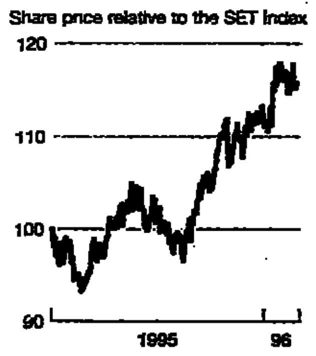
Although the results were better than analysts had expected, and compare favourably with the 11 per cent earnings growth in 1995 at competitor Thai Farmers Bank, the bank's share prices closed down Bt2 at Bt240 yesterday. The fall, of less than 1 per cent, compares with a 1.3 per cent overall index decline on the Stock Exchange of Thailand.

The bank did not release a full financial statement, but did say that its outstanding loans rose 15.1 per cent to Bt858.6bn at the end of 1995. It said that "under unfavourable economic conditions caused by widespread flooding, government restrictions on bank lending and local and foreign monetary crises, the bank's performance last year was viewed as satisfactory".

Analysts had been worried that Bangkok Bank, with its high loan-to-deposit ratio, would be hurt by the Thai government's clampdown on excessive lending during the second half of 1995. The fear was that the bank would have to raise its deposit rates to reduce the ratio, thus cutting into interest margins.

Bangkok Bank

Share price relative to the SET index



Source: FT Extel

However, analysts believe the bank was able to rely on the fact that it is the best-provisioned in the country: it was able to reduce its normal rate of provisioning in the fourth quarter to lower the loan-to-deposit ratio rather than having to increase the deposit base.

How long this can be sustained remains a question for Bangkok Bank. Although the bank's traditional domination of trade financing in Thailand remains intact, in 1996 it may have to compete heavily to increase its retail base. This will be made difficult by the fact that it has not engaged in any systematic re-engineering programme at the branch level, as Thai Farmers and Krung Thai Bank have done.

In addition, the potential costs of such a programme have not yet been fully accounted for in the bank's balance sheet, as has already been done by several of its main competitors.

Still, analyst consensus is that profits at Bangkok Bank should grow in the range of 15 to 20 per cent in 1996.

● Thai Farmers Bank announced yesterday that it would raise Bt2.2bn in new capital through an issue of shares and warrants. The bank will offer up to 20m new shares to the public at a price close to their current market price.

The bank said another 100m new shares would be reserved for warrants that will be offered to existing shareholders at a ratio of one warrant to eight existing shares.

NEWS DIGEST

Success of leisure vehicles lifts Honda

Strong sales of recreational vehicles lifted financial results at Honda, the Japanese carmaker, in the third quarter. Riding on a wave of demand for its popular minivan and sports utility vehicle, Honda increased sales by 13 per cent from Y904bn to Y1,019bn ($9.6bn). Pre-tax profits were up 6 per cent from Y24.5bn to Y25.9bn, reflecting the benefits of cost-cutting as well as Honda's strong gains in the domestic market.

Japanese demand for recreational vehicles began with the success of the Odyssey, a minivan which Honda launched in the autumn of 1994 and which has contributed throughout the last year to the company's performance. Odyssey sales averaged more than 10,000 a month last year against an initial sales target of 3,000. Picking up on the Odyssey's popularity, the CR-V, a sports utility vehicle launched last October, has also seen strong demand. *Michiyo Nakamoto, Tokyo*

Sanlam enjoys buoyant business

Sanlam, the life assurance-based South African conglomerate, reported a 17 per cent increase in both total premium income and total asset value, which rose to R16.7bn ($4.3bn) and R125bn, respectively, for the year ended December 31.

Mr Desmond Smith, managing director, said the group, which controls about 12.5 per cent of the total market capitalisation of the Johannesburg Stock Exchange, had doubled in asset value since September 30 1992. He was confident of sustained returns in the second half, but warned that proposals by the government-appointed Katz Commission to tax pension fund earnings at 30 per cent would lead to insolvencies among group pension funds forced to restructure their assets.

Net investment income jumped 27 per cent to R6.9bn, although a falling inflation rate would dampen this in the medium term. Policy benefits rose 5 per cent from R12.8bn to R13.5bn for the period, while medical fund claims climbed 34 per cent from R582m to R792m.

Sanlam's portfolio was made up of 58 per cent equities, 20 per cent public sector loans and stocks, 13 per cent other interest-bearing investments, and 9 per cent fixed property. The group gained ground outside its traditional markets, and issued a record 663,000 new individual policies over the period. This boosted income from the sector by 25 per cent to R11.8bn. *Mark Ashurst, Johannesburg*

Leighton to raise A$90m

Leighton Holdings, the Australian construction group, said yesterday it was raising A$90.35m (US$68.2m) through a placement of 10 per cent of its ordinary shares at A$3.85 each. The shares will be placed with a mixture of domestic and institutional shareholders.

The new money will be used for general corporate purposes – but particularly to fund business generated by a fairly substantial forward workload in the contract mining sector. This includes work on the Lihir gold mine in Papua New Guinea, and on a number of coal mines. *Nikki Tait, Sydney*

Bankers Trust Australia slips

Bankers Trust Australia, part of the US-based investment banking group, saw net profit for the year to end-December fall to A$241.7m from A$259.8m last time. It blamed the reduction on "very tough" industry conditions, with the maturity of the Australian financial markets leading to fee and margin pressures in investment banking. *Nikki Tait*

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COMPANY NEWS: UK

Divestments helped increase dividend and boost confidence

Leisure behind Rank advance

By Scheherazade Daneshkhu, Leisure Industries Correspondent

Rank Organisation yesterday underpinned its confidence in the future by proposing a 19 per cent dividend increase for 1995 from 13.25p to 15.75p.

The diversified leisure group, which has changed its year-end from October to December, reported more than double annualised pre-tax profits for calendar 1995 to £651m ($293m). This was after the inclusion of profits of £247m, relating mainly to the reduction in its stake in Rank Xerox. The underlying rise was of 6 per cent to £407m. Profits for the 14 months were £658m.

Mr Michael Gifford, who retires as chief executive after the company's annual meeting on April 10, said current trading to January 1996 was "satisfactory", but said it would be "inconsequential in relation to the year as a whole".

The shares, which fell on Wednesday ahead of the results, rose 15½p to 479½p.

A sharp rise in profits in the leisure division - including Hard Rock Cafes' and nightclubs - was largely offset by a steep fall in the recreation division where bingo was hit by the National Lottery.

Hard Rock Cafe openings and a 12 per cent rise in nightclub admissions helped push operating profits up 33 per cent to £69m in the leisure division. Profits at the film and television division grew 11 per cent to £82m, including a £3m write-down on six cinemas. The main disappointment was in video duplication where profits fell despite a 25 per cent increase in volume.

Turnover increased to £2.3bn (£2.2bn).

Lex, Page 22

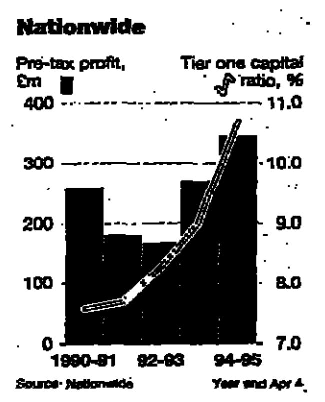
Trevor Humphries

Sir Denys Henderson, chairman, speaking with Michael Gifford

LEX COMMENT

Nationwide

For a dying breed, building societies are putting up a good fight. Yesterday's package from Nationwide - cutting mortgage rates by 0.45 points and raising deposit rates by 0.25 points - is an unexpectedly aggressive counter-attack. Suggestions from rivals that the move is unsustainable look distinctly optimistic. On the contrary, it is striking how easily Nationwide can afford it. Like most societies, it is awash with capital and yesterday's package will only slow the growth of its capital ratios. It could go further if it wanted. A fight-back by mutual societies is not the only factor at work here. With Britain's lenders making extravagant profits, intense competition was likely anyway.



But the societies are certainly presenting the banks with a nasty dilemma. Should they match what the societies are doing? Given the societies' undoubted business advantage of not having to worry about shareholders, getting into a head-to-head price war would be a serious mistake.

Banks can, though, probably afford to compromise: fall behind on rate-cutting, put up with some customers remortgaging, and mitigate margin pressure by passing on lower rates to depositors. That is certainly what they have done so far.

Nor is the competitive advantage of mutual status necessarily sufficient reason for hanging on to it. Given the enthusiasm of die-hard mutuals to show that they are being run in the interests of their members, they should offer their members the choice.

BET rejects Rentokil's surprise deal

By Geoff Dyer and Tim Burt

BET, the business services group facing a £1.8bn ($2.77bn) hostile bid from Rentokil, yesterday rejected an unexpected offer from the environmental and industrial services group to buy just three-quarters of the company.

The move came only two working days after Rentokil launched its bid and the unusual tactic surprised shareholders and analysts.

The approach was initiated by a telephone call on Tuesday from Lazard Brothers, which is advising Rentokil, to Baring Brothers, BET's advisers.

Mr Nicholas Jones, a managing director at Lazards, proposed discussions about an agreed deal for a group of BET businesses including the textile services, distribution and electronic security operations.

BET rejected the proposal before any money had been discussed. It said the businesses Rentokil wanted were core ones. "It would have left BET shareholders without the offer and the group with only a quarter of its operations."

Under the proposal BET would have retained the plant hire, resort management and conferences operations. Any deal would probably have left BET with a large capital gains tax liability, it added.

Takeover Panel considers UniChem share movements

By Patrick Harverson

The Takeover Panel yesterday continued to question dealers and investment bankers at UBS and BZW about Wednesday's movements in the share price of UniChem, the drugs wholesaler battling with Gehe of Germany to take over Lloyds Chemists, the pharmacy chain.

The two firms are stockbrokers to UniChem and were operating in the stock market when the group's share price rose 11p to 253p on Wednesday morning.

The sharp increase briefly pushed the value of UniChem's shares-and-cash bid for Lloyds to 497.4p per share, within a few pence of the newly revised 500p per share all-cash offer that had been made by rival Gehe earlier in the morning.

The increase also allowed the stockbrokers to buy Lloyds shares at a price close to the new Gehe offer and acquire a 9.9 per cent stake in the pharmacy chain for their client. If UniChem's shares had not risen so far, the group would not have been able to have acquired such a large stake, said dealers.

Although UBS and BZW explained that UniChem's shares had risen because of genuine demand from clients, representatives of Gehe complained to the Takeover Panel. The Panel's monitoring unit launched an investigation into whether the shares had risen because of market manipulation.

UBS or BZW would not comment yesterday, but a source close to one of the firms said the activities of their dealers on Wednesday had been "above board".

Adverse weather blamed for lower Courtaulds Textiles

By Jenny Luesby

Courtaulds Textiles, the clothing company, yesterday reported a 12 per cent fall in 1995 pre-tax profits to £40.4m ($62m), caused by adverse weather conditions, a surge in raw material prices and disappointing sales in the US.

Mr Noel Jervis, chief executive, said trading conditions had improved in January and February, with sales and profits in Europe comfortably ahead. In the US, however, a sharp fall in sales in November and December - as retailers realised they had over-estimated the growth in consumer demand - was set to continue until at least March.

In the UK, the warm autumn had cost the company some £4m in profits, and raw material prices another £4m. There would be little relief this year to the margin squeeze caused by the rise in raw material costs, said Mr Jervis.

"We are not planning to increase selling prices this year," he said. The group would, however, be cutting costs. It was setting a minimum target for each one of a 17 per cent return on capital employed, to be achieved within the next year.

This target had already been met by the core businesses, said Mr Jervis, but across the group last year's average return on capital employed was 12 per cent.

Hanson suffers another defection

By David Wighton

Hanson, the industrial conglomerate which last month revealed plans to split into four separate companies, has suffered its second high-level management defection since the demerger announcement.

Following Mr Ron Fulford's resignation as chairman of Imperial Tobacco, it has emerged that Mr David Snowdon, who heads Hanson's ARC aggregates subsidiary, is leaving the group. It is understood he has accepted a senior position at another quoted company.

It is believed that Mr Snowdon, 51, had been contemplating a move for some time but made his decision to leave only after the demergers and the associated management changes were announced.

Mr Snowdon's replacement at ARC will be Mr Simon Vivian, 39, who was managing director of ARC's southern division.

Mr Snowdon would have been a leading candidate for the position of chief executive of the Hanson rump, the building materials and equipment company which will remain after the demergers. But the job went to Mr Andrew Dougal, Hanson's 44-year-old finance director who has risen rapidly during the last three years.

In 1993, when Mr Dougal was managing director of ARC's southern division, Mr Snowdon was an assistant director of the group and was made chairman of ARC in June that year. Mr Dougal became finance director of the group only last year.

The departures of Mr Fulford and Mr Snowdon appear to confirm fears that the smaller, post-demerger companies may find it difficult to retain their best managers.

Mr Fulford announced on Wednesday that he was leaving to join the attempt by Mr Bennett LeBow and Mr Carl Icahn to force a break-up of RJR Nabisco, the US food and tobacco group.

Seeking a strong home base despite disappointing UK results

Life advance boosts Royal Ins

By Ralph Atkins, Insurance Correspondent

Royal Insurance, the composite insurer, yesterday said it would not eschew growth in its home market despite deteriorating trading conditions, as it reported a 6 per cent increase in 1995 pre-tax operating profits to £439m ($676m).

The shares ended up 3p at 389p, helped by a higher-than-expected increase in the total dividend from 12p to 16p. Royal said it had still to complete the rebuilding of its dividend base after a cut in 1991.

Profits were lifted by an improved life results and strong North American profits, which offset lower-than-expected UK results hit by high subsidence and weather losses. December's freeze cost £40m and more recent severe weather in the UK and US is expected to cost £30m.

But Mr Richard Gamble, chief executive, said the "key to any business is a strong home base". Profits would not be sacrificed to save market share, but there was no need to be afraid of expanding in the UK market if costs were contained and business underwritten correctly, he said.

UK life profits increased by 23 per cent to £66m, but Mr Gamble played down suggestions that Royal might join the queue of financial institutions looking for acquisitions in the sector. "We are not going to go into any strong bidding war."

A dip in pre-tax operating profits to about £400m is expected this year for a prospective yield of 6 per cent.

Trevor Humphries

Richard Gamble: pointing to the benefits of a strong base

Carlton denies MAI or United offers

By Christopher Price and Nicholas Denton

Carlton Communications was yesterday forced to deny it would make a bid for either MAI or United News & Media, after the Takeover Panel expressed concern over the growing speculation affecting the media groups' share prices.

Reports of an imminent bid by Carlton for MAI, which two weeks ago announced a £3bn ($4.62bn) merger with United, had earlier caused sharp movements in the shares of all three media groups. The announcement from Carlton, issued at midday, quickly reversed the moves.

The company stated: "Carlton wishes to make it clear that, in the present circumstances, it does not intend to intervene in the proposed merger between United News & Media and MAI."

Carlton refused all other comment. However, it is understood that a bid for MAI was under consideration until recently, but the board, concluded it would not enhance shareholder value.

Carlton's denial is unlikely to stem the speculation dominating trading in the media sector. Mirror Group, HTV, Scottish Television and TeleWest were being suggested as potential targets for Carlton.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Admiral	Yr to Dec 31	65.5	(49.5)	9.83♥	(7.72♥)	53.6	(45.2)	6.5	May 3	5.5	9.4	8
Ardagh ♣	6 mths to Dec 26	19.9	(17.7)	2.9	(2.58)	7.25	(6.57)	1.05	Apr 12	0.95	-	4.2
British Gas	Yr to Dec 31	8,601	(9,698)	607♠	(918♠)	2.9	(9.5)	6.1	-	5.1	14.5	14.5
Courtaulds Textiles	Yr to Dec 31	1,120	(1,053)	36.5♠	(47.3)	25.4	(33.7)	10.1	May 2	10.1	15.3	15
Grafton ♣	Yr to Dec 31	154.1	(133.1)	11	(7.96)	57.3	(40.2)	7.5	Apr 23	5	12.5	8.5
Greenwich Comms §	Yr to Aug 31	0.152	(0.221)	0.057L	(0.045L♠)	0.82L	(0.65L)	-	-	-	-	-
ICI	Yr to Dec 31	10,269	(9,189)	927♠	(408♠)	73.9	(26)	19.5	Apr 25	17	30	27.5
Lex Service	Yr to Dec 31	1,557	(1,423)	32.1♠	(42.4♥)	20.4†	(28.5)	9	Apr 13	8.4	15	14
Morgan Sindall	Yr to Dec 31	175	(72.6)	3.03	(3.38L♠)	8.03†	(36.56L)	1.85	-	nil	2.7	nil
Oliver	Yr to Dec 31	75	(75.2)	5.71L	(1.6)	22.61L	(6.05)	nil	-	1	nil	1
Prov Financial	Yr to Dec 31	448.4	(445.3)	101.1	(81.1)	50.33	(40.64)	17	May 2	14	28	20.5
Quayle Munro	6 mths to Dec 31	-	(-)	0.092	(0.29)	1.7	(5.2)	3.5	Apr 6	3	-	9.5
Rank Organisation	14 mths to Dec 31 ☆	2,614	(2,199)	658♥	(284♠)	60.3	(17.9)	11	Apr 19	9	15.75	13.25
Royal Insurance	Yr to Dec 31 ★	4,553□	(4,706□)	498	(467)	60	(61.9)	11	May 3	8	16	12
Usher (Frank)	6 mths to Nov 30	11	(11.5)	1.14	(1.02)	11	(9.9)	4	Apr 3	3.5	-	10
Wickes	Yr to Dec 31	834.6	(733.6)	258L♠	(30.1♠)	67.6L	(5.6)	1.5	July 4	1.3	2.1	1.8

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Fleming Fledgeling	Yr to Dec 31	433.3	(373.8)	0.341	(0.331)	2.72	(2.63)	2	Apr 26	2	3	3
Gartmore Shared	9 mths to Jan 31	89.5	(71.1)	3.07	(2.1)	5.89	(5.95)	2.4	Mar 30	2.4	-	9.6
Mercury World Mining	Yr to Dec 31 ★	106.27	(104.94)	5.64	(3.64)	1.32	(0.26)	1	May 8	0.77	1	0.77
Shirescot	Yr to Dec 31	154.9	(144.7)	1.22	(1.09)	6.31	(6.62)	1.95	Mar 29	1.8	5.7	5.4
TR High Income	Yr to Dec 31	135.8	(123.5)	1.57	(1.46)	6.61	(6.28)	1.6	Apr 30	1.6	6.4	6.1
Trust of Property	Yr to Dec 31	63.2	(78.9)	0.121	(0.107)	1.838	(1.617)	1.7403	Apr 12	1.6574	1.7403	1.6574
Schroder Growth	6 mths to Jan 31	86.08	(76.4)	nil	(nil)	nil	(nil)	-	-	-	-	-
Tor	6 mths to Jan 31	1665.1	(1407.3)	0.924	(0.672)	22.918	(16.614)	10⁑	Apr 30	10	-	40‡

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. ♣Irish currency. †On increased capital. ☆Comparatives for 12 months. ★Comparatives restated. □Total premium income. §USM stock. ⁑Second interim; makes 20p to date. ‡Included foreign income dividend of 1.41p.

DIGEST

Thorn EMI seeks buyer for Fona

Thorn EMI is to sell Fona, the Danish chain of music and consumer electronics stores. Fona belongs to the Thorn side of the group and its disposal marks the final stage of Thorn's strategy of focusing on the rental and rent-to-buy markets.

Fona, which includes 53 shops on high streets and shopping malls throughout Denmark, is slightly more upmarket than Thorn's other rental and retail outlets, which include Radio Rentals in the UK and Rent-A-Center in the US.

Fona is one of the largest music and electronics chains in Denmark and has steadily increased profits in recent years. It made sales of £142m in the last full financial year to March 31.
Alice Rawsthorn

Admiral seeks further buys

Admiral, the information technology services, products and training group, is seeking further acquisitions in Europe. Mr Clay Brendish, executive chairman, said the company, which last year acquired Delphy Consultants, a Belgian computer systems and software concern, was looking for other businesses in continental Europe, particularly in France.

He said the company might spend the £2.2m ($3.4m) proceeds from the disposal of its remaining stake in a joint venture with Powersoft, the US software company.
Motoko Rich

Streamline priced at 180p

Shares in Streamline Holdings were priced at 180p yesterday, valuing the specialist building materials group at £112m ($172m), at the top end of expectations.

The company, which is due to come to the market next Thursday, is placing 22m shares, representing about 35 per cent of the equity, with institutional investors. The proceeds of about £20m will be used to reduce gearing.
Christopher Price

Wickes moves into third place

Wickes said yesterday it had passed Do It All, the Boots/WH Smith joint venture, to become the UK's third biggest DIY retailer, in spite of heavy post-exceptional losses last year.

Wickes also announced heavy investment in global systems across its operations in the UK, France, Belgium, the Netherlands, the US, and its new South African joint venture, including the capacity to sell goods on the Internet.

The pre-tax loss for the year to December 31 was £258.0m ($397m), after an exceptional charge of £269m from disposal of the Hunter Timber and Builders Mate merchanting outlets last year. There were profits of £30.1m last time.
Neil Buckley

Johnson Group makes US buy

Johnson Group Cleaners, the dry cleaning and textile rental company, has completed the acquisition of Ethington Linen and Uniform Rental Company of Kentucky for $6.45m. A further $225,000 may be paid over the next three years providing performance targets are reached.

Ethington's 1995 sales were $3.6m, with adjusted operating profit of $114,000. Net assets at completion were $2.7m.

CMC invests £8m in Asia

Cookson Group, the international specialist industrial materials group, said Cookson Matthey Ceramics, its joint venture with Johnson Matthey, was investing almost £8m ($12m) in Asian zircon opacifier facilities.

COMMODITIES AND AGRICULTURE

Broker reduces estimate of world sugar surplus

By Richard Mooney

London sugar broker C. Czarnikow has raised its estimate of the world 1995-96 sugar crop marginally from the record level it forecast last November. However, with the consumption projection showing a more substantial rise, it has cut the overall surplus estimate.

In the latest issue of its Sugar Review Czarnikow puts the current season's production at 121.14m tonnes, up from 120.82m in the November review, while the consumption figure is raised from 116.26m tonnes to 116.95m. As a result the predicted surplus has been cut from 3.9m tonnes to 3.5m tonnes (in both cases after allowing for "unrecorded disappearance" of 650,000 tonnes).

Czarnikow estimated the surplus in the 1994-95 season at 470,000 tonnes.

The review suggests, however, that the market impact of the large world surplus will be reduced because restricted port capacity will result in India being forced to retain a large part of its exportable surplus. A recent addition of 150,000 tonnes has raised the country's total export authorisation of 650,000 tonnes. But Czarnikow says the shipment problem, "quite apart from the readiness of [Indian] mills to accept world market prices later in the year, should these move lower", is likely to result in "a large proportion of the surplus generated in India from both the current crop and the 1994-95 season", remaining inside the country.

So far this season a succession of unusual factors has enabled the world sugar price to defy the increasingly bearish fundamental supply/demand outlook, according to Czarnikow. "Crops have run late in West Europe, the Caribbean and Central America as well as Thailand," it says in the review. "These delays in supply have found buyers with prompt requirements which have already been deferred with little leeway for further extension."

"Against this backdrop," it adds, "the USA has not only increased the current [import] quota but US refiners have needed additional supplies in order to unwind earlier swaps of quota for world sugars in their normal re-export business." The result, its says, has been a firm undertone to the market and a rising trend of world prices for prompt sugars "that seems at odds with the statistical outlook for six to 12 months ahead".

S Africa's JCI defends forward gold sales

By Mark Ashurst in Johannesburg

JCI, the South African mining finance house which has sold forward all gold from its Western Areas mine until 2004, yesterday defended its hedge despite the rally in bullion prices and this week's collapse of the Rand against the dollar.

Mr Bill Nairn, managing director, said the group was exercising its option on 55 per cent of the forward sale, and was currently selling at spot price. There were no options on the remaining 45 per cent of the 7.3m troy ounces of Western Areas gold committed over eight and a half years, but this had been rolled over. "We are able to benefit fully from the higher gold price," he said.

Analysts questioned the hedge, which was arranged to fund the sinking of new shafts at Western Areas. Gold fell below the benchmark $400 in Johannesburg earlier this week, but seems to have stabilised at about $397. South African gold was becoming more competitive, and the weakening Rand cast doubt on the wisdom of long term forward sales, said one analyst.

"The more the Rand depreciates, the more we like South African gold shares. The good news is tempered by the hedge, which takes a bit of the shine off."

The Rand plunged to a record low of R4.03 against the dollar on Wednesday. The currency has been hit by speculation that the abolition of exchange controls was imminent, concern that the Rand was over-valued, and reports that President Nelson Mandela was unwell.

JCI yesterday posted a 35 per cent increase in attributable earnings to R127m (R94m) for the six months ended December 1995. Equity accounted earnings rose 75 per cent to R179m, or 120 cents a share (69 cents). Attributable earnings were 85 cents a share (63 cents). The interim dividend was 24 cents; no dividend was declared for the comparable period last year. Details of the forthcoming rights issue at JCI's Joel mine would be released in early March. Little progress had been made in the proposed sale to black investors of a portion of majority shareholder Anglo American Corporation's 40 per cent stake in JCI.

US offer threatens Windwards banana split

Canute James reports on a controversial marketing move by Chiquita Brands

Governments and marketing agencies in the Windward Islands are battling to prevent rebel banana farmers from selling their fruit to an American company, a move that they contend will damage the already troubled trade in the islands.

The four islands are the main source of bananas consumed in Britain, and the differences between the marketing boards and some farmers coincide with criticism of the recent purchase of the banana business of Geest by a joint venture created by the islands and Fyffes, the Irish fruit marketing group.

This has further damaged the prospects for the industry, which has longer-standing concerns over the future of its preferential access to the European Union for a commodity that is the pillar of several island economies. US banana producers, the US government and some EU governments want greater access for Latin American bananas to Europe, while the islands, and other traditional suppliers to the EU, say this would destroy their industry.

This explains the sharp reaction by governments and marketing boards in the islands (Dominica, Grenada, St Lucia and St Vincent) to a move by Chiquita Brands International of the US, to purchase fruit directly from the islands' farmers. The farmers traditionally sell to the region's marketing boards, and have been told by *the boards and the governments* that the higher prices being offered by Chiquita Brands should not blind them to the longer-term benefits of their traditional markets.

"We would be interested in marketing any portion of the crop that is available, from some minimum volume up to all of it," Mr Michael O'Brien, senior vice-president of Chiquita Brands, told a regional news agency. He said his company wanted to get involved again in the industry in the Windwards as it was before the region was given preferential access to the EU. He denied charges from Windward Islands officials that the company had not discussed its interest in marketing the region's bananas.

Concern in the Windward Islands over the involvement of Chiquita Brands in the trade is based on the company's complaint to the US government that the EU import regime is discriminatory as it caps Latin American exporters' access to Europe. The US Trade Representative agreed, and has complained to the World Trade Organisation.

Mr Peter Carbon, Dominica's agriculture minister, told farmers that Chiquita's offer of a higher price than that paid by marketing boards was intended to "destabilise" the industry in the islands during a period of transition. He argued that companies, such as Chiquita Brands, wanted a monopoly of the industry, "so that by the time the European agreement goes for renegotiation in 2002, we will not be ready to move forward".

"What Chiquita wants is to get into the Windwards so they begin to have control, and at the appropriate time they will let us go when they have the matter under their own control," claimed Mr Arnhim Eustace of the Windward Islands Banana Development and Exporting Company (Wibdeco).

Legislation passed in the parliaments of each of the Windward Islands late last year gave Wibdeco sole authority over the sale of exportable quality bananas, he said. "If we start splitting this up again into sales to different countries it means that our shipping, if we can get it at all, would become more expensive, as will other services. We are already high cost producers."

They fear that others will follow the Banana Salvation Committee, a St Lucian farmers' union, which said it would sell to the US company. In addition to higher prices, Chiquita was offering farm-to-port transportation and other conditions that were more favourable than those offered by the new joint venture created by Wibdeco and Fyffes, said the union.

"The proposal from Chiquita is like heaven, against the hell we are getting now," said Mr Patrick Joseph, the union's general secretary. Farmers were left out of the recent negotiations with Geest that led to the Wibdeco-Fyffes agreement. "We should be the ones looking for what we want rather than people looking for what they want us to have," he said.

The £147.5m joint venture has been attacked by Mr Julian Hunte, St Lucia's opposition leader. "He suggested that the operation would not be profitable, and that about £50m too much was paid to Geest. "We are going to have to learn to swim in an area where Geest, with all the expertise, has pulled out. One wonders how the islands will be able to cope."

The acquisition includes Geest's UK banana holdings with supply and licence agreements to 1999, Geest's European dollar banana business, the two vessels - Geest St. Lucia and Geest Dominica - and a Costa Rican farm.

The sale was for the entire operation, said Windward Islands officials. The two ships were not owned by Geest but had been obtained by the company on a hire purchase arrangement, and were designed to carry Costa Rican and Windwards fruit. They were too large for the Wibdeco operation, said Mr John Compton, St Lucia's prime minister. "We need to decide whether we retain or sell them," he said. "The Costa Rican farm is not profitable and will be sold," meaning the Geest operations would have been effectively acquired for about £50m.

A St Lucian banana farmers' union has started a strike to protest what it describes as the government's refusal to answer its questions about the industry, writes Canute James in Kingston. Members of the Banana Salvation Committee say they will not reap any fruit for a week.

St Lucia is the biggest producer in the Windward Islands, the source of most bananas consumed in Britain.

The union said it had asked Mr John Compton, St Lucia's prime minister, about payment to farmers on the delivery of fruit, about the freedom to sell fruit to any potential buyer and for greater involvement of farmers in the management of the industry.

"Once again you have demonstrated how little regard you have for farmers. . . by failing to respond to our concerns," the union said in a statement to Mr Compton. Strikes by the union last year affected the volume of bananas exported by St Lucia.

Public Ledger to go 'on-line'

By Richard Mooney

The Public Ledger, the weekly specialist commodities newspaper, is to go "on-line" on a wholesale basis with a screen-based news service offered to subscribers via Bloomberg, ADP and FutureSource.

The service will be launched with Commodity Market Services, a subsidiary of the London Commodity Exchange. "PLCN offers truly global coverage of commodities markets with a European focus," says a Public Ledger statement.

"PLCN will also issue comprehensive technical analysis and market reports for commodities in the physical, futures and options markets quoted on the European exchanges: LCE/Liffe, London Metal Exchange, Agrarische Termijnmarket Amsterdam and Matif Diffusion, Paris."

MARKET REPORT

Gold continues to gyrate

The London GOLD price continued to gyrate around the $400-a-troy-ounce level yesterday and might manage a move a few dollars higher, dealers said.

"It looks like it's in a $398 to $402 range, but if it breaks away, we're more likely to see $405," one said.

The price fixed slightly higher at $399.65 an ounce, and closed at $400.20, up $2.65.

Japanese selling put the spot price under pressure early on, but one dealer said that represented profit-taking and investor demand should hold up on expectations of more dollar strength.

After this week's dramatic prices moves, the most likely scenario was a period of consolidation, others said.

At the London Metal Exchange base metal prices mostly edged higher in what traders described as "patchy business".

Three months COPPER ended the after hours "kerb" close at $2,493 a tonne, up $11, with the cash premium widening to $47 at one stage from around $35 on Wednesday.

Values were lifted by news of two small earthquakes in central Chile, the world's largest copper producer, though mines reported no damage.

Chart resistance at $2,500/05 was tested as the three months price peaked at $2,501, but the resistance level remained intact and could prove a significant technical hurdle in the short term.

Traders and analysts said some copper was expected to be delivered out of LME Long Beach warehouses on Friday, while European stocks should rise.

ALUMINIUM stocks could rise by about 6,000 tonnes, they added. Prices for the metal fell on a bout of selling towards the close.

LEAD matched Wednesday's 5-1/4 year high of $785, but profit-taking trimmed prices.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1600.5-601.5	1629-30
Previous	1594-5	1624-5
High/low	1599/1598.5	1632/1622
AM Official	1599-99.5	1628-28.5
Kerb close		1621-3
Open int.	208,934	
Total daily turnover	47,219	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1350-55	1388-90
Previous	1350-60	1382-5
High/low		1390/1382
AM Official	1348-53	1383-88
Kerb close		1385-95
Open int.	5,195	
Total daily turnover	1,307	

■ LEAD ($ per tonne)

Close	793-95	784-85
Previous	782.5-3.5	776.5-77.0
High/low		786/777
AM Official	795-98	784-85
Kerb close		777-8
Open int.	35,939	
Total daily turnover	5,652	

■ NICKEL ($ per tonne)

Close	8330-40	8440-45
Previous	8230-40	8345-50
High/low	8271/8270	8455/8350
AM Official	8270-71	8380-90
Kerb close		8430-40
Open int.	40,183	
Total daily turnover	7,690	

■ TIN ($ per tonne)

Close	6220-30	6280-85
Previous	6205-15	6270-75
High/low		6300/6270
AM Official	6206-10	6270-75
Kerb close		6285-90
Open int.	16,217	
Total daily turnover	4,195	

■ ZINC, special high grade ($ per tonne)

Close	1042-43	1059-60
Previous	1027-28	1045-46
High/low	1040	1062/1047
AM Official	1040-41	1056-57
Kerb close		1057-8
Open int.	80,175	
Total daily turnover	21,867	

■ COPPER, grade A ($ per tonne)

Close	2548-50	2499-500
Previous	2512-14	2477-78
High/low	2519/2518	2503/2476
AM Official	2519-20	2481.5-82.5
Kerb close		2492-3
Open int.	169,545	
Total daily turnover	60,775	

■ LME AM Official £/$ rate: 1.5415
LME Closing £/$ rate: 1.5443

Spot: 1.5431 3 mths: 1.5400 6 mths: 1.5366 9 mths: 1.5331

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	118.00	+1.95	118.25	116.05	290	1,611
Mar	116.00	+1.95	116.20	113.75	3,216	19,596
Apr	114.60	+1.05	114.80	114.00	71	1,338
May	113.65	+1.20	114.00	112.30	1,821	10,744
Jun	112.45	+0.80	112.30	112.30	4	731
Jul	111.25	+0.55	111.80	110.90	162	3,235
Total					5,896	47,199

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	400.00-400.40		
Opening	399.20-399.60		
Morning fix	399.35	258.915	472.870
Afternoon fix	399.65	258.975	473.188
Day's High	401.50-401.90		
Day's Low	398.50-398.90		
Previous close	397.30-397.80		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.38	6 months	3.57
2 months	3.98	12 months	3.17
3 months	3.89		

Silver Fix	p/troy oz.	US cts equiv.
Spot	362.50	559.25
3 months	367.65	566.05
6 months	372.30	571.90
1 year	381.95	583.70

Gold Coins	$ price	£ equiv.
Krugerrand	397-400	257-259
Maple Leaf	412.10-414.65	
New Sovereign	93-96	60-62

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	63.000	-0.825	64.100	62.500	1,493	1,627
Apr	64.250	+0.475	64.400	63.575	7,221	35,346
Jun	62.525	+0.400	62.725	62.050	2,083	19,491
Aug	62.100	+0.225	62.225	61.600	1,510	9,732
Oct	63.075	+0.125	63.200	62.750	588	9,347
Dec	62.375	-0.075	62.525	62.200	404	5,020
Total					13,415	83,073

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	49.300	+0.200	49.600	48.800	450	660
Apr	46.800	+0.600	46.850	45.700	1,733	12,474
Jun	52.050	+0.725	52.100	51.125	877	9,054
Jul	50.675	+0.525	50.700	49.900	324	2,827
Aug	48.825	+0.300	48.975	48.400	391	3,992
Oct	45.100	+0.150	45.250	44.900	234	2,027
Total					4,098	33,199

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	62.500	+0.550	62.500	61.750	62	219
Mar	61.400	+0.725	61.900	60.450	1,189	2,892
May	62.375	+0.875	62.700	61.300	1,395	3,765
Jul	59.775	+0.650	59.850	58.500	168	1,552
Aug	56.375	+0.775	56.850	56.000	42	294
Total					2,856	8,722

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	May	Jul	May	Jul
1500	133	157	12	25
1600	65	93	43	60
1700	25	50	102	114
■ COPPER (Grade A) LME	May	Jul	May	Jul
2400	127	121	24	66
2500	66	73	62	115
2600	29	40	123	180
■ COFFEE LCE	Mar	May	Mar	May
1500	485	761	-	2
1550	438	712	-	3

JOTTER PAD

CROSSWORD

No.9,001 Set by DANTE

ACROSS
1 Might number clues in the wrong order (6)
4 Generous applause goes to a few (8)
9 Throw out uneven and inferior material (6)
10 Measure of alcohol - gets more than one's share of froth on top (8)
12 Humiliating return from a summit meeting? (8)
13 He carries cases of wine with little hesitation (6)
15 Fancy something similar? (4)
16 Sue is invited to stay over (5,1,4)
19 Shattering into pieces? Correct (10)
20 Experts break the case (4)
23 Is deep, perhaps, but may be detected (6)
25 Ship carries the right pennant (8)
27 The fiscal system makes allowances for him (8)
28 Material mother makes on request (6)
29 Leave one's hotel to investigate (5,3)
30 Collect a petition (6)

DOWN
1 US claim settlement in Oklahoma, say (7)
2 He has found a job at last (9)
3 I'd come up in a cheap car, pretentiously polished (2-2-2)
5 A spinner at his peak? (4)
6 Settlement of loss paid out (8)
7 Public minister about to return? Quite the opposite (5)
8 Doreen's been ordered to grant approval (7)
11 Self-conscious about blemish, dark in colour (7)
14 Outvotes? (7)
17 Go with Bill to business (8)
18 A line of washing? (8)
19 He's unwilling to give credit (7)
21 One who is out to score a goal (7)
22 Proceed to make good (6)
24 Small fairy that is found at the bottom of page nine (5)
26 The country for exercise and sport (4)

Solution 9,000

DEFILE BLACKART
I L I K E H N I
SQUARER GUILDER
H O A O G M E A
MARK INDISPOSED
O E S E N A E
PESETA AGONISE
S C A S S Z C S
DEUTSCH LETHAL
E I O P E I I
SOFTOPTION FLAP
C R N S U P L S
URANIUM NOURISH
D N N A D N N O
ONCOGENE STAGED

INTERNATIONAL CAPITAL MARKETS

German auction result sparks 'confusion'

By Martin Brice in London and Lisa Bransten in New York

The German government bond market was dominated by the results of the auction of five-year bonds, in which the Bundesbank accepted all DM4.236bn of bids, with the average at 99.92. One bid was accepted at the lowest price of 99.01, which is believed to be a record difference between the average and the lowest.

GOVERNMENT BONDS

There was surprise at the lowest price, with market participants variously describing the result as "a disaster", "a debacle", and causing "a hell of a lot of confusion". There was speculation among traders that the Bundesbank was anxious to get supply away before an unexpectedly large M3 number today. There were suggestions that the low demand was caused by reluctance of investors to venture past the 1999 date for European monetary union, but others thought recent heavy supply of D-Mark eurobonds and Pfandbriefe was a contributory factor.

However, Mr Julian Jessop, international economist at HSBC Markets, said: "This is the result you would expect in a bad market."

The curve steepened as the yield on two-year paper fell 5 basis points and that on 10-year paper by a point, with the spread between the two maturities at 227 points. On Liffe the March 10-year bund future closed at 97.22, down 0.17. The yield spread of 10-year bunds over Treasuries widened 3 basis points to 33.

■ The French yield curve steepened, with the yield on one-year paper falling 10 basis points and that on 10-year paper by 3 points. On Matif the March future settled at 120.50, up 0.40 while March Pibor rose 0.13 to 95.37. The spread over bunds tightened a point to 36.

■ Italian government bonds followed the trend, with the yield on two-year paper falling 18 basis points and that on nine-year paper falling 4. The spread over 10-year bunds tightened a point to 446. On Liffe the March future fell 0.32 to 108.65.

■ UK government bonds were unaffected by the 0.45 percentage point cut in the Nationwide mortgage rate, although Mr Andrew Roberts at UBS said if the move was followed by other lenders, it would cut 25 basis points off the retail price index and could lead to investors moving along the index-linked curve.

The March future on Liffe closed down 13/32 at 107 18/32 while the spread over 10-year bunds widened 6 basis points to 164.

■ The Swedish yield curve steepened after the 25 basis points cut in the repo rate, and the 50 basis points cut in the deposit and lending rates. The spread over 10-year bunds tightened 25 basis points to 242; one-year yields fell 11 basis points and nine-year by nine.

■ A jump in weekly claims for unemployment benefits helped US Treasury prices move briefly higher yesterday, but by midday bonds were hovering near their levels of late Wednesday as the market continued to consolidate.

Near midday the long bond was 1/8 stronger at 95⅜ to yield 6.361 per cent, while at the short end of the maturity spectrum the two-year note was up 1/8 at 99¾ to yield 5.101 per cent.

Initial claims for unemployment benefits increased by 5,000 applicants to 391,000 last week, the Labour department reported.

Ms Marilyn Schaja, an economist at Donaldson, Lufkin & Jenrette, said that although the weekly claims figures are not necessarily a good indicator of the monthly unemployment figures, they do appear to signal "sluggish growth in the labour market with corresponding effects on the economy in general".

Also helping bonds were rumours that the Federal Reserve had bought two-year and five-year notes under the table and a strengthening in the value of the dollar against the D-Mark and the yen.

In early trading, the US currency was changing hands for DM1.4509 and Y105.10 compared with DM1.4492 and Y104.9 late on Wednesday.

Bonds tumbled on Tuesday after Mr Alan Greenspan, chairman of the Federal Reserve, made comments investors interpreted as a signal that he did not believe the economy was as weak as many had come to believe.

Study finds upturn in corporate defaults

By Antonia Sharpe

The volume of corporate bond defaults rose in 1995, the first year-on-year increase since 1990, snapping a trend of narrowing yield spreads over the five-year period, Moody's, the international ratings agency, said in its annual default study.

Last year, 46 issuers worldwide defaulted on more than $8.3bn of long-term and publicly-held corporate debt, up sharply from 24 defaulters and $2.3bn in 1994. Such a level has not been seen since 1992 when 50 issuers defaulted on $8.3bn.

The increase led to a widening of 85 basis points in the spread between Moody's speculative-grade yield index and seven-year US Treasuries during 1995.

Moody's said the larger volume of defaulted debt partially reflected the higher number of issuers with speculative-grade ratings – 940 at the start of 1995 after 814 in 1994 – but that it also shows that the risk of default is rising. Moody's speculative-grade default rate rose to 3.2 per cent in 1995 from a 13-year low of 1.8 per cent in 1994.

A significant portion of last year's defaulted debt was issued during the refinancing spree of 1992 and 1993. The largest bond default in 1995 was by the US supermarket operator Grand Union Company. Including its $239m default of long-term public debt, the company added more than $1.3bn to 1995's total.

Event risk struck hard in 1995, Moody's said, with events such as Dow Corning's strategic Chapter 11 filing to avoid liabilities related to the use of its silicon products in breast implants. The action threw $160m of long-term pubic debt into default.

Property sell-off at Swedish banks

By Christopher Brown-Humes in Stockholm

The final chapter in Sweden's financial sector crisis has begun to unfold as the country's banks move to rid themselves of more than SKr50bn worth of properties, involuntarily acquired as collateral for sour loans in the early 1990s.

Last week Skandinaviska Enskilda Banken set the ball rolling when it announced plans to spin off properties worth SKr23bn to its shareholders, creating Sweden's biggest real estate company at a stroke. This week Svenska Handelsbanken and Swedbank picked up the theme, promising demergers that will hand properties worth a further SKr15bn to their shareholders. All three banks' property units will be quoted on the Stockholm stock exchange this year.

Föreningsbanken and Stadshypotek are expected to make similar moves in due course. Nordbanken, however, will not be in the queue, even though it was the biggest casualty of the loan-loss crisis and had to be taken over by the state in 1992. It only has a small property engagement because most of its sour loans were dumped in a separate "bad bank" called Securum. Securum has extensive property holdings.

Plunging property values were the main cause of the Swedish banking crisis, accounting for an estimated 70 to 80 per cent of the SKr150bn of credit losses built up by Swedish banks over the last five years. The collapse forced the banks to take over thousands of properties, both in Sweden and abroad, to protect their claims.

Although clearly reluctant owners, banks have had to sit on these property portfolios while they rebuilt their own strength and property markets stabilised. Even today, the real estate market is too fragile to allow the banks to sell off their properties directly. Had they done so, they would have flooded the market and undermined prices.

Only in the past year have the banks become strong enough to be able to capitalise their property offshoots with their own capital, giving them the financial strength to operate as independent entities.

But analysts still say their timing is questionable. Although Sweden's long-term bond yields have fallen sharply since early last year, they have risen by 100 basis points since financial markets took fright at some of the spending plans unveiled by Mr Göran Persson, the prime minister in waiting, in mid-January.

There is also a question of whether the market can digest such huge amounts of stock, given the likelihood that many of the banks' shareholders will want to dump their property holdings quickly. Foreigners are unlikely to be big buyers of the shares, so it will largely be left to domestic institutions to make the running.

Investors who do take the plunge will be gaining stakes in properties throughout Europe, as well as sizeable holdings in the main Swedish population centres of Stockholm, Gothenburg and Malmö. SE-Banken has almost half its portfolio sited outside the country, mainly in Belgium, Luxembourg, Germany and Portugal. Handelsbanken has part of its portfolio in London.

What is already clear is that the launch of these property groups will trigger a broad restructuring in the Swedish real estate market. That is why their financial strength at launch will be as important as the fact of the creation, because it will start to mark out potential predators from their targets. "These property companies weren't created as logical entities," says Mr Afrell. "There's going to be a lot of activity before we start to see well-structured, natural property groups in Sweden."

Chicago exchanges to list Mexico's IPC index

By Conner Middelmann

Two Chicago exchanges are planning to supplement the fast-growing array of emerging-market derivative instruments with futures and options on Mexico's leading stock index.

The Chicago Mercantile Exchange (CME), the Chicago Board Options Exchange (CBOE) and Bolsa Mexicana de Valores (BMV) yesterday signed a deal to list the Bolsa's IPC index on the two US exchanges. The IPC is a broad-based capitalisation-weighted index composed of 35 stocks.

As early as April, the CME plans to list IPC futures and futures options while the CBOE will list cash-settled options on the index - pending regulatory approval. In return, the BMV will receive licensing fees for the use of its index, and advice from the two exchanges on fine-tuning futures- and options contracts it plans to list.

Emerging-market products already traded on the CBOE include options on 18 American depository receipts and American depository shares on Latin American companies; a Mexico Index (MEX) composed of 10 US-listed Mexican ADRs, ADSs and country funds; and the Latin-15 Index which tracks leading equities in Argentina, Brazil, Chile and Mexico.

CME last week said it planned to list futures and futures options on four individual Brady bond issues, including Mexican par bonds.

Its competitor, the Chicago Board of Trade, this week said that it, too, plans to list Brady bond instruments and hopes to launch its Mexican Brady Bond index futures and options contracts on March 1.

Italy targets issue at Japanese

By Conner Middelmann

Put off by recent volatility in the US dollar and D-Mark bond markets, Italy appears to have shelved plans to issue eurobonds in those currencies and yesterday announced plans to issue yen bonds instead.

Daiwa has been appointed lead manager to a long-dated yen bond which is expected next week. Market talk was of Y150bn to Y250bn of bonds with a maturity of between 12 and 15 years, targeted at Japanese institutional investors. Italy has a strong relationship with Daiwa, which also led its $2bn dollar offering late last year and, together with Nomura and Nikko, its multi-tranche Y550bn issue in May 1995 - the largest eurobond ever issued. In 1994, Italy launched three euroyen issues totalling Y925bn.

INTERNATIONAL BONDS

Otherwise, the eurobond market all but stalled yesterday, with jittery government bond markets keeping nervous investors sidelined.

The only borrowers to brave the dollar sector were floating-rate note issuers: Citicorp launched $200m of six-year notes callable after three years, with a coupon of Libor plus 15 basis points, while IBJ Australia Bank issued $151m of unlisted floating-rate notes in two tranches which were largely pre-placed.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Citicorp(a)‡	200	(a1)	99.859R	Sep 2002	0.20R	-	Citibank International
IBJ Australia Bank(s)‡*	100	(b)	100.085	May 1997	0.10	-	IBJ International
IBJ Australia Bank(s)‡*	51	(b)	100.085	Mar 1997	0.10	-	IBJ International
SWISS FRANCS							
Helaba Finance(c)	100	3.75	101.875	Dec 2000	2.00	-	Credit Suisse
Trans Power Finance(s)*	100	3.125	101.35	Dec 1998	1.50	-	Credit Suisse
GECC*	100	2.75	101.30	Apr 1998	1.125	-	Merrill Lynch Capital Mkts

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. *Unlisted. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) Callable on 12/3/98 at par. a1) 3-mth Libor +15bp. b) 3-mth Libor +5.5bp. c) Fungible with SFr400m. Plus 90 days accrued. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	109.1400	+0.420	8.62	8.09	8.19
Austria		6.125	02/06	97.0000	+0.380	6.54	6.43	6.21
Belgium		7.000	05/06	101.1300	+0.060	6.84	6.66	6.43
Canada *		8.750	12/05	108.8200	+0.250	7.46	7.05	7.13
Denmark		8.000	03/06	102.8800	+0.560	7.58	7.34	7.01
France	STAN	7.000	10/00	104.7500	-	5.79	5.55	5.50
	OAT	7.250	03/06	103.8300	-0.040	6.71	6.56	6.48
Germany Bund		6.000	01/06	97.4000	-0.200	6.36	6.14	5.88
Ireland		8.000	08/06	101.2000	-0.150	7.81	7.56	7.39
Italy		10.500	09/05	100.2000	+0.820	10.47†	10.47	10.30
Japan	No 129	6.400	03/00	116.1980	+0.020	2.07	1.97	1.75
	No 174	4.600	09/04	109.7750	-	3.15	3.05	2.98
Netherlands		6.000	01/06	97.5000	+0.180	6.35	6.19	5.84
Portugal		11.875	02/05	112.5000	-0.700	9.72	9.49	9.47
Spain		10.150	01/06	101.7900	+0.510	9.84	9.65	9.41
Sweden		6.000	02/05	82.5490	+0.480	8.91	8.86	8.16
UK Gilts		8.000	12/00	103-14	-4/32	7.13	6.92	6.80
		7.500	12/06	97-13	-12/32	7.86	7.67	7.40
		9.000	10/08	107-31	-13/32	7.98	7.87	7.55
US Treasury *		5.625	02/06	97-25	+3/32	5.92	5.65	5.76
		6.000	02/26	95-10	-3/32	6.35	6.10	6.17
ECU (French Govt)		7.500	04/05	101.9200	+0.470	7.20	6.98	6.79

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest — Treasury Bills and Bond Yields

Prime rate	8¼	One month	4.81	Two year	5.08
Broker loan rate	7	Two month	4.94	Three year	5.22
Fed.funds	5¼	Three month	4.92	Five year	5.46
Fed.funds at intervention	-	Six month	4.87	10-year	5.91
		One year	4.89	30-year	6.34

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	120.46	120.50	+0.40	120.72	120.42	138,059	145,964
Jun	120.50	120.56	+0.44	120.76	120.46	4,778	21,799
Sep	119.40	119.44	+0.44	119.52	119.40	102	2,348

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
119	1.60	2.53	-	0.08	0.94	-
120	0.60	1.90	-	0.28	1.30	-
121	0.24	1.37	-	0.75	1.74	-
122	0.05	0.96	-	1.55	2.30	-
123	0.01	0.58	-	2.87	-	-

Est. vol. total, Calls 38,690 Puts 25,999. Previous day's open int., Calls 215,863 Puts 213,518.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	97.40	97.30	-0.09	97.61	97.16	232937	219888
Jun	96.58	96.49	-0.09	96.77	96.40	18356	68460

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Mar	Apr	May	Jun	PUTS Mar	Apr	May	Jun
9700	0.30	0.56	0.82	0.99	0	1.09	1.33	1.50
9750	0	0.39	0.62	0.78	0.20	1.40	1.63	1.79
9800	0	0.25	0.46	0.59	0.70	1.76	1.97	2.10

Est. vol. total, Calls 37973 Puts 25977. Previous day's open int., Calls 370754 Puts 249152

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	109.01	108.76	-0.21	109.42	108.58	53795	51208
Jun	108.50	108.39	-0.21	108.90	108.30	956	9361

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Jun	Sep	PUTS Jun	Sep
10800	2.36	3.01	1.97	2.99
10850	2.08	2.77	2.19	3.25
10900	1.83	2.55	2.44	3.53

Est. vol. total, Calls 2701 Puts 2743. Previous day's open int., Calls 41250 Puts 35017

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	95.30	94.94	-0.46	95.52	94.67	67,001	46,911
Jun	94.95	94.52	-0.33	94.95	94.60	655	3,465

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	108-01	107-18	-0-13	108-06	107-10	77616	127420
Jun	107-10	106-28	-0-11	107-11	106-25	9355	8697

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Mar	Apr	May	Jun	PUTS Mar	Apr	May	Jun
107	0-36	0-59	1-22	1-43	0	1-03	1-30	1-51
108	0	0-33	0-58	1-14	0-28	1-41	2-02	2-22
109	0	0-17	0-37	0-55	1-28	2-25	2-45	2-63

Est. vol. total, Calls 2871 Puts 618. Previous day's open int., Calls 65200 Puts 37454

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	89.10	89.28	+0.40	89.44	89.10	1,465	7,764

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	116-04	116-22	+0-18	116-25	116-04	488,649	325,145
Jun	115-20	116-07	+0-18	116-09	115-20	27,738	96,976
Sep	-	115-21	+0-18	-	-	841	8,813

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	118.77			118.97	118.74	1250	0
Jun	117.29			117.50	117.25	3255	0

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thu Feb 22	Day's change %	Wed Feb 21	Accrued interest	xd adj. ytd		Low coupon yield Feb 22	Feb 21	Yr. ago	Medium coupon yield Feb 22	Feb 21	Yr. ago	High coupon yield Feb 22	Feb 21	Yr. ago
1 Up to 5 years (22)	122.11	-0.34	122.56	1.96	1.58	5 yrs	7.24	7.20	8.52	7.28	7.25	8.55	7.36	7.32	8.70
2 5-15 years (21)	147.73	-0.25	148.10	2.82	0.78	15 yrs	8.07	8.02	8.46	8.07	8.02	8.57	8.17	8.11	8.78
3 Over 15 years (8)	161.37	-0.48	162.14	2.06	2.41	20 yrs	8.17	8.13	8.43	8.14	8.08	8.57	8.24	8.18	8.88
4 Irredeemables (6)	184.47	-0.37	185.16	3.36	0.00	Irred.†	8.25	8.22	8.50						
5 All stocks (57)	142.51	-0.22	142.89	2.41	1.37										

Index-linked							Inflation 5% Feb 22	Feb 21	Yr. ago	Inflation 10% Feb 22	Feb 21	Yr. ago
6 Up to 5 years (1)	197.27	-0.04	197.20	2.89	0.00	Up to 5 yrs	2.58	2.59	3.63	1.25	1.26	2.25
7 Over 5 years (11)	186.39	+0.25	185.91	0.95	0.63	Over 5 yrs	3.64	3.66	3.88	3.44	3.45	3.67
8 All stocks (12)	186.50	-0.25	186.04	1.00	0.62							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Feb 22	Feb 21	Feb 20	Feb 19	Feb 16	Yr ago	High*	Low*
Govt. Secs. (UK)	93.65	93.63	92.27	93.47	94.31	91.40	96.34	90.22
Fixed interest	112.35	112.27	112.27	112.29	112.73	109.82	115.23	108.77

*for 1995/96. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Feb 21	Feb 20	Feb 19	Feb 16	Feb 15
Gilt Edged bargains	110.4	100.1	95.7	85.1	102.2
5-day average	98.7	97.2	98.4	98.6	101.2

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on February 22

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	101⅜	101⅝	+⅛	6.25
ABN Amro Bank 7¼ 05	1000	105⅛	105½	+⅛	6.51
African Dev Bk 7¾ 23	500	102¼	103⅛		7.14
Sweden 8 97	2500	105⅛	105⅜	-⅛	4.18
United Kingdom 7¼ 97	5500	105	105¼	+⅛	3.98
Volkswagen Intl Fin 7 03	1000	102⅜	102⅝	+¼	6.57
World Bank 0 15	2000	30	30⅜	+⅛	6.26
Abbey Natl Treasury 8 03 £	1000	99⅞	99⅝		8.11
Alliance Leics 11⅜ 97 £	100	105⅜	105⅝		6.56
British Land 8⅞ 23 £	150	90⅞	91	-½	10.14
Denmark 6¾ 98 £	800	99⅝	99¾	+⅛	6.88

[illegible]

UK GILTS PRICES

[illegible]

حكمة امنه الأصل

CURRENCIES AND MONEY

MARKETS REPORT

Markets on hold ahead of German M3 release

By Philip Gawith

Currency markets had a fairly quiet day yesterday ahead of the expected release today of the German M3 data for January.

The main trading theme over the past two weeks has been the reversal in Japanese and German interest rate expectations, and the M3 figures should serve either to confirm or reverse this trend.

The market has been primed to expect a high figure, and anything short of the wholly exceptional will be taken as favouring the cause of lower rates in Europe, and hence be positive for the dollar.

The dollar yesterday performed steadily, closing at Y105.02, from Y105.15 and at DM1.4516, from DM1.4513. For the third day in succession, the Bank of Japan was actively supporting the dollar during Asian trading.

Sterling had a quiet day, trading in the dollar's wake. It finished at DM2.2402, from DM2.2415, and at $1.5433, from $1.5445.

European currencies were quiet ahead of German M3. The Swedish krona continued its recent bounce back, finishing at SKr4.647 against the D-Mark, from SKr4.665.

The recent assault on the South African rand abated yesterday with the rand closing at R3.89 against the dollar, from R3.965 on Wednesday.

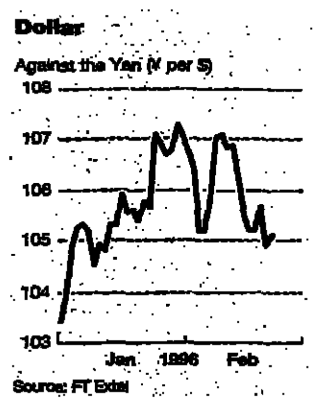
■ For most of this week, the dollar/yen rate, and the efforts of the BOJ to boost the dollar, have occupied centre stage. Mr Joe Prendergast, currency strategist at Merrill Lynch in London said there was "an ongoing tension between central banks that want to keep dollar/yen stable, and private market positions which surveys show to be heavily under-weight the yen."

One country where a stronger dollar would be welcome is Germany. Ms Alison Cottrell, analyst at Paine Webber in London, predicts that anything short of an aberrational M3 figure – and the market has been softened up to expect as high as 18 per cent – will be taken by the market as an excuse for renewed interest rate optimism, of the sort seen in late January when the Bundesbank allowed the German repo rate to drop sharply.

In the short run this is likely to be D-Mark supportive, if it encourages buying of D-Mark assets. Further out, it could support the dollar and other European currencies, if it is seen as re-opening the path towards lower interest rates.

Mr Stephen Lewis of the London Bond Broking company said the Bundesbank would watch the market's response carefully. "This is because long-term interest rates are the bottom line of the Bundesbank's endeavours. The policymakers in Frankfurt will not risk sacrificing their own credibility in the marketplace, however misplaced they believe the market's doubts about their strategy to be."

Mr Lewis believes that the Bundesbank's main priority is to lower long-term rates. The challenge now is to calm market nerves to the point where it can once more start cutting short-rates in a manner consistent with lower long-term rates too.



■ Traders in the rand said very little business was done in either Johannesburg or London, suggesting the currency's travails may be over for now. Mr Tom Chenoweth, chief foreign exchange dealer at Standard Bank in London, said that if the market made it through today unscathed (it was last Friday when the rand's slide started), attention would shift to the budget next month, when an announcement on the relaxation of exchange controls might be expected.

He predicted a R3.90/R4.00 trading range, saying that investors might well sell into any rally below R3.90.

Economists at Citibank in London offered a more pessimistic view. "Looking at previous price action in situations like this (Mexico, Turkey, Italy) it must be expected that, although we may retrace to R3.80 in the short term, this move is not yet over and we will eventually see new highs for the dollar, possibly at R4.18 or even higher, with the Rand entering a period of substantial undervaluation..."

The market took heart from a UBS research report saying the rand should average R3.90/R4.00 for the rest of the year. UBS's utterances are now closely watched following an earlier report, apparently endorsed by Mr Chris Stals, the Reserve Bank governor, saying the rand was 7-10 per cent overvalued, which added fuel to the correction.

■ Pound in New York

Feb 22	---Latest---	-- Prev. close --
£ spot	1.5450	1.5440
1 mth	1.5438	1.5427
3 mth	1.5417	1.5406
1 yr	1.5298	1.5287

■ OTHER CURRENCIES

Feb 22	£	$
Czech Rp	41.5754 - 41.6178	26.9480 - 26.9580
Hungary	217.612 - 217.830	141.050 - 141.100
Iran	4631.40 - 4628.40	3000.00 - 3000.00
Kuwait	0.4605 - 0.4624	0.2985 - 0.2995
Poland	3.9419 - 3.9598	2.5550 - 2.5650
Russia	7390.17 - 7390.01	4787.00 - 4790.00
U.A.E.	5.6658 - 5.6702	3.6724 - 3.6729

POUND SPOT FORWARD AGAINST THE POUND

Feb 22		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.7577	-0.0095	483 - 671	15.7823	15.7325	15.7277	2.3	15.6452	2.9	-	-	106.4
Belgium	(BFr)	46.0830	-0.0358	372 - 287	46.1690	45.9870	45.978	2.7	45.778	2.6	44.918	2.5	108.7
Denmark	(DKr)	8.6849	-0.0044	597 - 700	8.6772	8.6508	8.6529	1.7	8.6328	1.5	8.5267	1.6	109.6
Finland	(FM)	6.9587	-0.0071	523 - 650	6.9950	6.9280	6.9543	0.8	6.9463	0.7	-	-	84.5
France	(FFr)	7.7127	-0.0125	094 - 159	7.7299	7.6980	7.7005	1.9	7.6815	1.6	7.602	1.4	108.7
Germany	(DM)	2.2402	-0.0013	389 - 414	2.2460	2.2364	2.2353	2.7	2.2253	2.7	2.1831	2.5	111.1
Greece	(Dr)	370.948	+0.492	442 - 454	371.683	369.048	-	-	-	-	-	-	66.0
Ireland	(I£)	0.9718	+0.0006	709 - 727	0.9732	0.9696	0.9706	1.2	0.9694	1.0	0.9654	0.7	97.6
Italy	(L)	2422.21	-7.44	065 - 377	2435.30	2415.77	2429.76	-3.7	2445.41	-3.8	2504.26	-3.4	72.6
Luxembourg	(LFr)	46.0830	-0.0358	372 - 287	46.1690	45.9870	45.978	2.7	45.778	2.6	44.918	2.5	108.7
Netherlands	(Fl)	2.5093	-0.0017	081 - 105	2.5199	2.5021	2.5032	2.9	2.491	2.9	2.4428	2.6	108.9
Norway	(NKr)	9.7898	-0.0163	821 - 974	9.8437	9.7669	9.7818	1.0	9.7583	0.9	9.7097	0.8	99.2
Portugal	(Es)	233.146	-0.56	994 - 299	234.770	232.922	233.571	-2.2	234.476	-2.3	-	-	95.4
Spain	(Pta)	188.730	-0.193	607 - 853	188.938	188.294	189.15	-2.7	190.005	-2.7	193.085	-2.3	82.4
Sweden	(SKr)	10.4116	-0.0522	005 - 227	10.4685	10.3839	10.413	-0.2	10.418	-0.2	10.4244	-0.1	86.5
Switzerland	(SFr)	1.8250	-0.0045	236 - 263	1.8302	1.8225	1.8184	4.3	1.8051	4.4	1.7594	3.9	114.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	83.6
Ecu	-	1.2207	-	200 - 213	1.2228	1.2183	1.2193	1.4	1.2166	1.3	1.2048	1.3	-
SDR†	-	1.049100	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5431	-0.0012	425 - 436	1.5441	1.5407	-	-	-	-	-	-	-
Brazil	(R$)	1.5154	-0.0021	147 - 160	1.5188	1.5138	-	-	-	-	-	-	-
Canada	(C$)	2.1227	-0.01	215 - 238	2.1255	2.1203	2.121	0.9	2.1183	0.8	2.1084	0.7	83.4
Mexico	(New Peso)	11.6412	+0.0034	312 - 511	11.6511	11.6114	-	-	-	-	-	-	-
USA	($)	1.5433	-0.0012	428 - 438	1.5443	1.5407	1.5421	0.9	1.54	0.8	1.5285	1.0	95.1
Pacific/Middle East/Africa													
Australia	(A$)	2.0475	-0.0108	462 - 488	2.0546	2.0432	2.0494	-1.1	2.0542	-1.3	2.0775	-1.5	87.6
Hong Kong	(HK$)	11.9344	-0.0102	297 - 390	11.9421	11.9142	11.9239	1.1	11.9116	0.8	11.8666	0.6	-
India	(Rs)	56.4306	-0.0671	893 - 722	56.6010	56.3530	-	-	-	-	-	-	-
Israel	(Shk)	4.7966	+0.0106	935 - 037	4.8037	4.7820	-	-	-	-	-	-	-
Japan	(Y)	162.077	-0.327	979 - 176	162.870	161.480	161.312	5.7	159.822	5.6	153.927	5.0	137.7
Malaysia	(M$)	3.9393	-0.002	374 - 412	3.9460	3.9334	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2872	+0.0033	856 - 888	2.2888	2.2834	2.291	-2.0	2.3042	-3.0	2.338	-2.2	105.4
Philippines	(Peso)	40.3882	-0.0314	979 - 784	40.4784	40.2979	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7882	-0.0045	860 - 903	5.7918	5.7787	-	-	-	-	-	-	-
Singapore	(S$)	2.1710	+0.0056	695 - 724	2.1724	2.1626	-	-	-	-	-	-	-
South Africa	(R)	6.0035	-0.1205	938 - 131	6.0941	5.9872	-	-	-	-	-	-	-
South Korea	(Won)	1202.00	-1.63	153 - 247	1203.01	1200.05	-	-	-	-	-	-	-
Taiwan	(T$)	42.4138	-0.033	977 - 298	42.4389	42.3446	-	-	-	-	-	-	-
Thailand	(Bt)	38.9174	-0.0272	894 - 454	38.9500	38.8610	-	-	-	-	-	-	-

† Rates for Feb 21 Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 22		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	10.2104	+0.0018	076 - 132	10.2370	10.2020	10.1944	1.9	10.1629	1.9	10.0404	1.7	106.4
Belgium	(BFr)	29.8600	-	400 - 800	29.9300	29.8390	29.815	1.8	29.723	1.8	29.39	1.6	108.3
Denmark	(DKr)	5.6145	+0.0015	130 - 160	5.6253	5.6065	5.6111	0.7	5.6055	0.6	5.622	-0.1	108.9
Finland	(FM)	4.5090	-0.0011	063 - 116	4.5331	4.4878	4.5045	1.2	4.496	1.2	4.4795	0.7	83.8
France	(FFr)	4.9975	-0.0043	970 - 980	5.0121	4.9920	4.9934	1.0	4.9878	0.8	4.9735	0.5	109.1
Germany	(DM)	1.4516	+0.0003	512 - 519	1.4571	1.4500	1.4495	1.7	1.4449	1.8	1.4283	1.6	110.5
Greece	(Dr)	240.360	+0.505	110 - 610	240.870	238.990	241.935	-7.9	245.185	-8.0	259.86	-8.1	65.6
Ireland	(I£)	1.5882	-0.0021	872 - 891	1.5916	1.5841	1.5885	-0.2	1.5887	-0.1	1.5827	0.3	-
Italy	(L)	1569.50	-3.6	900 - 000	1579.89	1566.20	1575.85	-4.9	1587.6	-4.6	1638.5	-4.4	72.0
Luxembourg	(LFr)	29.8600	-	400 - 800	29.9300	29.8390	29.808	2.1	29.72	1.9	29.415	1.5	108.3
Netherlands	(Fl)	1.6260	+0.0002	257 - 262	1.6354	1.6239	1.6229	2.3	1.6164	2.3	1.5942	2.0	108.3
Norway	(NKr)	6.3434	-0.0057	405 - 463	6.3775	6.3235	6.3411	0.4	6.3329	0.7	6.3159	0.4	98.2
Portugal	(Es)	151.070	-0.245	020 - 120	152.280	151.060	151.445	-3.0	152.215	-3.0	155.82	-3.1	95.2
Spain	(Pta)	122.290	-0.03	250 - 330	122.590	122.200	122.685	-3.9	123.42	-3.7	126.91	-3.8	82.2
Sweden	(SKr)	6.7463	-0.0286	413 - 513	6.7850	6.7227	6.7633	-3.0	6.7928	-2.8	6.9303	-2.7	85.8
Switzerland	(SFr)	1.1825	-0.002	820 - 830	1.1885	1.1812	1.1789	3.7	1.1721	3.5	1.1482	2.9	113.4
UK	(£)	1.5433	-0.0012	428 - 438	1.5443	1.5407	1.5421	0.9	1.54	0.8	1.5285	1.0	83.3
Ecu	-	1.2644	-0.001	641 - 646	1.2657	1.2611	1.2647	-0.3	1.2651	-0.2	1.2657	-0.1	-
SDR†	-	0.67970	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9995	-	-	-	-	-	-	-
Brazil	(R$)	0.9819	-0.0008	818 - 820	0.9835	0.9818	-	-	-	-	-	-	-
Canada	(C$)	1.3754	-0.0055	751 - 757	1.3770	1.3751	1.3756	-0.1	1.3757	-0.1	1.3807	-0.4	82.2
Mexico	(New Peso)	7.5430	+0.008	390 - 470	7.5440	7.5390	7.5453	-0.4	7.5484	-0.3	7.5533	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.3
Pacific/Middle East/Africa													
Australia	(A$)	1.3266	-0.0058	263 - 271	1.3271	1.3263	1.3286	-1.8	1.3321	-1.7	1.3506	-1.8	88.5
Hong Kong	(HK$)	7.7330	-0.0006	325 - 335	7.7350	7.7325	7.7337	-0.1	7.7355	-0.1	7.7625	-0.4	-
India	(Rs)	36.5650	-0.015	500 - 800	36.6800	36.5400	36.715	-4.9	37.02	-5.0	38.48	-5.3	-
Israel	(Shk)	3.1083	+0.0092	070 - 116	3.1135	3.0996	-	-	-	-	-	-	-
Japan	(Y)	105.020	-0.13	990 - 050	105.610	104.670	104.585	5.0	103.785	4.7	100.715	4.1	138.2
Malaysia	(M$)	2.5525	+0.0007	521 - 529	2.5575	2.5518	2.5534	-0.4	2.5595	-1.1	2.583	-1.2	-
New Zealand	(NZ$)	1.4819	+0.0033	815 - 826	1.4826	1.4809	1.485	-2.5	1.4908	-2.4	1.5154	-2.3	-
Philippines	(Peso)	26.1700	-	200 - 200	26.2200	26.1200	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 507	-	-	3.751	-0.1	3.7517	-0.1	3.755	-0.1	-
Singapore	(S$)	1.4067	+0.0047	062 - 072	1.4072	1.4030	1.4032	3.0	1.3972	2.7	1.3717	2.5	-
South Africa	(R)	3.8900	-0.075	850 - 950	3.9500	3.8800	3.9188	-8.3	3.9703	-8.3	4.1935	-7.8	-
South Korea	(Won)	778.850	-0.45	800 - 900	779.400	778.400	781.85	-4.6	785.35	-3.3	803.85	-3.2	-
Taiwan	(T$)	27.4825	-	810 - 840	-	-	27.5025	-0.9	27.5425	-0.9	-	-	-
Thailand	(Bt)	25.2170	+0.002	070 - 270	25.2330	25.2070	25.3157	-4.7	25.5195	-4.8	26.402	-4.7	-

† SDR rate per $ for Feb 21. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Feb 21: Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

February 22	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	3 3/8	3 3/8	3 5/16	3 9/32	3 9/32	7.00	3.00	-
week ago	3 3/8	3 3/8	3 3/8	3 3/8	3 3/8	7.00	3.00	-
France	4 3/8	4 7/16	4 7/16	4 7/16	4 7/16	3.80	-	5.60
week ago	4 7/16	4 1/2	4 1/2	4 1/2	4 1/2	3.80	-	5.60
Germany	3 5/16	3 3/8	3 5/16	3 9/32	3 9/32	5.00	3.00	3.30
week ago	3 5/16	3 3/8	3 1/4	3 1/4	3 3/8	5.00	3.00	3.30
Ireland	5 1/4	5 1/4	5 3/8	5 3/8	5 3/8	-	-	6.25
week ago	5 1/4	5 1/4	5 1/4	5 3/8	5 3/8	-	-	6.25
Italy	10 1/8	10	9 7/8	9 7/8	9 3/4	-	9.00	9.72
week ago	10 1/8	10	10 1/8	9 7/8	9 7/8	-	9.00	9.72
Netherlands	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	-	3.00	3.30
week ago	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	-	3.00	3.30
Switzerland	1 1/2	1 11/16	1 11/16	1 3/4	2	5.00	1.50	-
week ago	1 1/8	1 11/16	1 5/8	1 3/4	1 13/16	5.00	1.50	-
US	5 1/8	5 15/32	5 3/8	5 1/8	5 1/8	-	5.00	-
week ago	5 1/4	5 11/32	5 3/8	5 3/8	4 7/8	-	5.00	-
Japan	3/8	3/8	1/2	1/2	1	-	0.50	-
week ago	3/8	3/8	1/2	1/2	1	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5 3/8	5 1/4	5 3/8	5 3/8	-	-	-
week ago	-	5 3/8	5 1/4	5 1/8	5	-	-	-
US Dollar CDs	-	5.05	4.98	5.00	5.01	-	-	-
week ago	-	5.05	4.98	4.85	4.72	-	-	-
ECU Linked Ds	-	4 3/8	4 5/16	4 7/16	4 7/16	-	-	-
week ago	-	4 3/8	4 5/16	4 7/16	4 7/16	-	-	-
SDR Linked Ds	-	3 3/8	3 7/16	3 7/16	3 3/8	-	-	-
week ago	-	3 3/8	3 7/16	3 7/16	3 3/8	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Feb 22	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3 13/32 - 3 5/32	3 13/32 - 3 5/32	3 7/16 - 3 11/32	3 7/16 - 3 11/32	3 7/16 - 3 11/32	3 1/2 - 3 13/32
Danish Krona	4 1/2 - 4	4 13/32 - 4 3/16	4 1/2 - 4 3/8	4 19/32 - 4 15/32	4 23/32 - 4 1/2	4 27/32 - 4 23/32
D-Mark	3 1/4 - 3 5/32	3 1/2 - 3 13/32	3 1/2 - 3 13/32	3 7/16 - 3 5/16	3 7/16 - 3 5/16	3 9/16 - 3 3/8
Dutch Guilder	3 1/4 - 3 1/8	3 1/4 - 3 1/8	3 7/16 - 3 5/16	3 7/16 - 3 5/16	3 7/16 - 3 5/16	3 3/8 - 3 7/16
French Franc	4 1/4 - 4 1/8	4 1/4 - 4 1/8	4 11/32 - 4 7/32	4 1/2 - 4 11/32	4 19/32 - 4 15/32	4 11/16 - 4 9/16
Portuguese Esc.	8 1/16 - 7 15/16	8 3/32 - 7 31/32	8 3/32 - 7 31/32	8 3/32 - 7 31/32	8 3/32 - 7 31/32	8 3/32 - 7 31/32
Spanish Peseta	9 - 8 27/32	9 1/16 - 8 15/16	9 3/32 - 8 7/8	8 27/32 - 8 23/32	8 23/32 - 8 19/32	8 21/32 - 8 19/32
Sterling	6 5/16 - 6 1/4	6 5/16 - 6 1/4	6 1/4 - 6 1/8	6 5/32 - 6 1/32	6 1/8 - 6 1/16	6 7/32 - 6 3/32
Swiss Franc	1 5/8 - 1 1/2	1 3/4 - 1 5/8	1 11/16 - 1 9/16	1 3/4 - 1 5/8	1 7/8 - 1 3/4	2 1/16 - 1 15/16
Can. Dollar	5 3/16 - 5	5 1/4 - 5 1/8	5 1/4 - 5 1/8	5 1/4 - 5 1/8	5 1/4 - 5 1/8	5 7/16 - 5 5/16
US Dollar	5 1/4 - 5 1/8	5 1/4 - 5 1/8	5 1/4 - 5 1/8	5 1/4 - 5 1/8	5 3/16 - 5 1/16	5 3/16 - 5
Italian Lira	10 3/16 - 10 1/16	10 3/16 - 10 1/16	10 1/8 - 10	10 - 9 7/8	9 15/16 - 9 13/16	9 13/16 - 9 11/16
Yen	1/2 - 7/16	15/32 - 3/8	7/16 - 11/32	3/4 - 5/8	27/32 - 23/32	1 1/16 - 15/16
Asian $Sing	7/16 - 3/16	1 3/8 - 1 1/4	1 15/16 - 1 13/16	2 1/8 - 2	2 3/8 - 2 1/4	2 3/4 - 2 5/8

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.28	95.37	+0.13	95.40	95.27	39,228	50,508
Jun	95.30	95.42	+0.14	95.44	95.30	24,885	55,624
Sep	95.30	95.41	+0.13	95.43	95.30	9,007	48,280

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.57	96.57	+0.01	96.60	96.55	25530	182931
Jun	96.60	96.60	+0.01	96.64	96.58	35687	175195
Sep	96.42	96.43	+0.02	96.48	96.42	31100	182321
Dec	96.12	96.15	+0.05	96.19	96.12	35901	156138

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	89.99	90.05	+0.03	90.15	89.99	11363	37325
Jun	90.41	90.50	+0.06	90.58	90.41	10512	29855
Sep	90.89	90.90	+0.08	90.98	90.88	3618	19832
Dec	90.95	90.98	+0.06	91.09	90.95	1737	11762

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.16	98.18	+0.03	98.20	98.14	4291	22122
Jun	97.99	98.05	+0.05	98.07	97.99	4798	21226
Sep	97.82	97.85	+0.07	97.86	97.82	2610	12424
Dec	97.50	97.54	+0.06	97.58	97.50	1002	8594

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.22	95.23	+0.04	95.26	95.22	805	8064
Jun	95.32	95.33	+0.05	95.36	95.32	571	4573
Sep	95.26	95.25	+0.04	95.28	95.24	313	3154
Dec	95.05	95.05	+0.05	95.10	95.04	457	3104

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9000	0.21	0.79	1.24	0.16	0.29	0.34
9025	0.10	0.61	1.06	0.30	0.36	0.41
9050	0.04	0.45	0.90	0.49	0.45	0.50

Est. vol. total, Calls 475 Puts 125. Previous day's open int., Calls 25399 Puts 20005

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 22		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.80	16.74	4.861	2.109	5256	5.445	21.24	505.9	409.5	22.59	3.961	2.170	4.605	3.349	351.6	2.650
Denmark	(DKr)	53.18	10	8.901	2.585	1.122	2795	2.896	11.30	269.0	217.8	12.01	2.106	1.154	2.449	1.781	187.0	1.409
France	(FFr)	59.74	11.23	10	2.904	1.260	3140	3.253	12.69	302.2	244.7	13.50	2.366	1.297	2.751	2.001	210.0	1.583
Germany	(DM)	20.57	3.868	3.443	1	0.434	1081	1.120	4.370	104.1	84.24	4.647	0.815	0.446	0.947	0.689	72.32	0.545
Ireland	(I£)	47.41	8.915	7.935	2.305	1	2492	2.581	10.07	239.8	194.1	10.71	1.878	1.029	2.183	1.587	166.7	1.256
Italy	(L)	1.903	0.358	0.318	0.092	0.040	100.	0.104	0.404	9.624	7.791	0.430	0.075	0.041	0.088	0.064	6.689	0.050
Netherlands	(Fl)	18.37	3.454	3.074	0.893	0.387	965.3	1	3.902	92.91	75.21	4.149	0.727	0.399	0.846	0.615	64.57	0.487
Norway	(NKr)	47.07	8.852	7.879	2.288	0.993	2474	2.563	10	238.1	192.8	10.63	1.864	1.022	2.168	1.576	165.5	1.247
Portugal	(Es)	19.77	3.717	3.309	0.961	0.417	1039	1.076	4.199	100.	80.95	4.466	0.783	0.429	0.910	0.662	69.50	0.524
Spain	(Pta)	24.42	4.592	4.087	1.187	0.515	1284	1.330	5.188	123.5	100.	5.517	0.967	0.530	1.125	0.818	85.85	0.647
Sweden	(SKr)	44.27	8.324	7.409	2.152	0.934	2327	2.410	9.408	223.9	181.3	10	1.753	0.961	2.038	1.482	155.6	1.173
Switzerland	(SFr)	25.25	4.748	4.226	1.227	0.533	1327	1.375	5.364	127.7	103.4	5.704	1	0.548	1.163	0.845	88.77	0.669
UK	(£)	46.08	8.665	7.713	2.240	0.972	2422	2.509	9.789	233.1	188.7	10.41	1.825	1	2.122	1.543	162.0	1.221
Canada	(C$)	21.72	4.083	3.635	1.056	0.458	1141	1.182	4.613	109.8	88.93	4.906	0.860	0.471	1	0.727	76.34	0.575
US	($)	29.86	5.616	4.999	1.452	0.630	1570	1.626	6.344	151.1	122.3	6.747	1.183	0.648	1.375	1	105.0	0.791
Japan	(Y)	28.44	5.349	4.761	1.383	0.600	1495	1.549	6.043	143.9	116.5	6.426	1.127	0.617	1.310	0.952	100.	0.754
Ecu		37.74	7.097	6.317	1.835	0.796	1984	2.055	8.017	190.9	154.5	8.526	1.495	0.819	1.738	1.264	132.7	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6903	0.6884	-0.0023	0.6910	0.6881	29,399	65,028
Jun	0.6940	0.6919	-0.0019	0.6940	0.6920	455	4,539
Sep	-	0.6947	-	-	-	26	1,500

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8460	0.8457	-0.0013	0.8480	0.8446	12,839	37,861
Jun	0.8546	0.8537	-0.0004	0.8546	0.8536	972	2,360
Sep	0.8614	0.8614	+0.0008	0.8614	0.8605	29	241

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9556	0.9551	-0.0019	0.9568	0.9500	21,451	72,916
Jun	0.9620	0.9648	-0.0031	0.9694	0.9620	235	5,377
Sep	-	0.9730	-	-	0.9715	6	810

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5426	1.5426	+0.0002	1.5432	1.5394	6,434	42,439
Jun	1.5390	1.5388	-0.0002	1.5394	1.5370	122	10,499
Sep	-	1.5360	-	-	1.5340	3	9

UK INTEREST RATES

LONDON MONEY RATES

Feb 22	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 5/8 - 4 1/2	6 5/16 - 6 3/16	6 5/16 - 6 3/16	6 1/4 - 6 1/8	6 7/32 - 6 1/8	6 1/4 - 6 1/8
Sterling CDs	-	-	5 1/4 - 6 3/16	6 1/8 - 6 1/16	6 3/32 - 6 1/32	6 5/32 - 6 3/32
Treasury Bills	-	-	6 1/8 - 6 1/16	6 - 5 15/16	-	-
Bank Bills	-	-	6 1/8 - 6 3/32	6 - 5 31/32	5 15/16 - 5 7/8	-
Local authority deps.	6 5/16 - 6 3/16	6 5/16 - 6 3/16	6 1/4 - 6 3/16	6 1/8 - 6 1/16	6 1/16 - 5 15/16	6 1/16 - 5 15/16
Discount Market deps	6 1/4 - 5	6 1/4 - 6 1/8	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from January 18, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc. Ave. tender rate of discount 5.9157pc. ECGD fixed rate Stlg. Export Finance. Make up day Jan 31, 1996. Agreed rate for period Feb 26, 1996 to Mar 25, 1996, Schemes II & III 7.69pc. Reference rate for period Dec 30, 1995 to Jan 31, 1996; Schemes IV & V 6.440pc. Finance House Base Rate 6.5pc from February 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.88	93.90	+0.02	93.93	93.88	13124	67211
Jun	93.96	93.96	+0.02	94.01	93.93	31009	82031
Sep	93.83	93.85	+0.04	93.91	93.82	22635	59125
Dec	93.60	93.62	+0.05	93.67	93.59	13775	47147
Mar	93.30	93.33	+0.04	93.37	93.30	4185	32467

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9375	0.19	0.32	0.39	0.04	0.11	0.29
9400	0.05	0.17	0.26	0.15	0.21	0.41
9425	0	0.08	0.17	0.35	0.37	0.57

Est. vol. total, Calls 11668 Puts 9490. Previous day's open int., Calls 153282 Puts 154939

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Duncan Lawrie	6.25	Royal Bk of Scotland	6.25
Allied Trust Bank	6.25	Exeter Bank Limited	7.25	●Singer & Friedlander	6.25
AIB Bank	6.25	Financial & Gen Bank	7.00	●Smith & Williamson Secs.	6.25
●Henry Ansbacher	6.25	●Robert Fleming & Co	6.25	TSB	6.25
Bank of Baroda	6.25	Girobank	6.25	United Bank of Kuwait	6.25
Banco Bilbao Vizcaya	6.25	●Guinness Mahon	6.25	Unity Trust Bank Plc	6.25
Bank of Cyprus	6.25	Habib Bank AG Zurich	6.25	Western Trust	6.25
Bank of Ireland	6.25	●Hambros Bank	6.25	Whiteaway Laidlaw	6.25
Bank of India	6.25	Heritable & Gen Inv Bk.	6.25	Yorkshire Bank	6.25
Bank of Scotland	6.25	●Hill Samuel	6.25		
Barclays Bank	6.25	C. Hoare & Co	6.25	● Members of London Investment Banking Association	
Brit Bk of Mid East	6.25	Hongkong & Shanghai	6.25	* In administration	
●Brown Shipley & Co Ltd	6.25	Julian Hodge Bank	6.25		
Citibank NA	6.25	●Leopold Joseph & Sons	6.25		
Clydesdale Bank	6.25	Lloyds Bank	6.25		
The Co-operative Bank	6.25	Meghraj Bank Ltd	6.25		
Coutts & Co	6.25	Midland Bank	6.25		
Credit Lyonnais	6.25	* Mount Credit Corp	6.25		
Cyprus Popular Bank	6.25	NatWestminster	6.25		
		●Rea Brothers	6.25		

EMS EUROPEAN CURRENCY UNIT RATES

Feb 22	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	158.869	-0.026	-2.23	5.70	16
Netherlands	2.15214	2.11208	+0.00085	-1.86	5.30	14
Belgium	39.3960	38.7950	+0.0108	-1.53	4.94	11
Austria	13.4383	13.2655	+0.0042	-1.29	4.69	9
Germany	1.91007	1.88590	+0.00057	-1.27	4.67	13
Denmark	7.28580	7.29395	+0.00235	0.11	3.23	-1
Portugal	195.792	196.345	-0.327	0.28	3.05	-2
France	6.40608	6.49116	-0.00988	1.33	1.99	-11
Ireland	0.792214	0.818687	+0.001369	3.34	0.00	-23
NON ERM MEMBERS						
Greece	292.867	312.360	+0.428	6.66	-3.11	-
Italy	2106.15	2039.12	-1.85	-3.18	6.74	-
UK	0.786652	0.842310	+0.000791	7.08	-3.49	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	PUTS Feb	PUTS Mar	PUTS Apr
1.490	-	-	-	0.05	-	-
1.500	4.27	4.47	4.81	0.08	0.37	0.71
1.510	3.31	3.65	4.07	0.14	0.48	0.98
1.520	2.51	2.91	3.39	0.28	0.75	1.30
1.530	1.71	2.30	2.77	0.28	1.09	1.69
1.540	1.07	1.73	2.28	0.41	1.51	2.14

Previous day's vol., Calls 2,420 Puts 4,174 . Prev. day's open int., Calls 167,102 Puts 188,198

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.74	94.78	+0.05	94.79	94.74	106,912	357,901
Jun	94.88	94.95	+0.09	94.96	94.88	275,706	426,956
Sep	94.98	95.06	-	95.06	94.95	283,328	325,137

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	95.26	95.28	-	95.27	95.25	871	7,737
Jun	95.35	95.41	-	95.39	95.34	2,320	7,216
Sep	-	95.48	+0.13	-	-	208	1,375

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Mar	CALLS Apr	CALLS May	CALLS Jun	PUTS Mar	PUTS Apr	PUTS May	PUTS Jun
9650	0.11	0.18	0.20	0.21	0.04	0.08	0.10	0.11
9675	0.02	0.05	0.08	0.09	0.20	0.20	0.23	0.24
9700	0.01	0.01	0.02	0.04	0.44	0.41	0.42	0.44

Est. vol. total, Calls 27209 Puts 16083. Previous day's open int., Calls 373175 Puts 314902

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9800	0.22	0.24	0.24	0.04	0.19	0.39
9825	0.08	0.12	0.13	0.15	0.32	0.53
9850	0.02	0.04	0.06	0.34	0.49	0.71

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 9356 Puts 4273

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or –	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq		529xd	+4	565	476½	5,475	5.8	19.2
Bulmer (HP)		557	–1	560	398	294.1	2.8	17.5
Burn St Dist.		119	+7	148	99	78.6	5.3	25.6
Grand Met		447xd	+4	487	363½	9,284	4.2	19.0
Guinness		445	+4	538	404	9,015	4.0	13.8
Highland		342	—	408	315	455.3	2.9	15.5
Kirin Y		795¼	–4¼	806	621	7,954	0.8	29.2
Macallan-Glen		181	—	217	157	169.0	1.0	35.7
Macdon Martin A		643	—	690	600	89.1	2.1	18.1
Matthew Clark		685xd	—	694	540	671.2	4.0	–
Merrydown		108	—	140	68	11.8	2.3	–
Seagram $		£22⅜	+⅛	£25¾	£16⅞	6,104	1.2	–

BANKS, MERCHANT

	Notes	Price	+ or –	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Banogs Bpc Cm 3rd Prf		60½	—	50½	50⅞	6.31	19.8	–
Cater Allen		468	–1	525	418	152.6	8.0	7.7
Close Bros		384	—	*392	227	444.4	3.0	18.1
Gerrard & Nat		418	—	472	325	294.0	6.7	13.5
Hambros		204	+3	228	180	380.7	4.6	–
7½pc Cv Pf		101	—	107½	94	130.1	9.3	–
Joseph (L)		450	—	483	353	23.8	5.2	15.5
King & Shaxson		165	—	165	85	40.8	7.3	12.0
Rea Brothers		60	—	67	44	29.0	2.1	24.0
Schroders		1275	+7	*1478	906½	1,925	1.4	18.2
N/V		998	—	*1190	823½	408.1	1.8	14.2
[illegible]								

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

BUILDING MATS. & MERCHANTS - Cont.

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FT-SE Actuaries Share Indices.

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER FINANCIAL - Cont.

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PHARMACEUTICALS - Cont.

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

The Alternative Investment Market, launched primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the Official List.

AMERICANS

[illegible]

CANADIANS

[illegible]

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Trans Can Pipe	♥	9	-1/8	9¾	7½	1,832	4.4	

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£30½	—	£34½	£29	2,838	2.6	18.0
Barlow	♣	£9½	—	£10⅝	£5⅞	1,994	1.5	Φ
Gold Flds Prop R		137	—	170	135	18.1	6.4	7.5
MK Props.		95	—	98	65	3.82	11.2	–
SASOL	♥	517	—	548	475	3,027	2.5	–
SA Brews		£23⅞	—	£26½	£16¼	7,031	1.4	34.1
Standard Bank	□	£26⅝	+⅛	£32⅞	£20¾	3,200	1.6	19.6
Tiger Oats		1175	—	1270	775	1,767	1.5	Φ
Tongaat-Hulett	†	1130	—	1247	636	1,069	1.6	23.0

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR "Headline Earnings"formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✻ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xt ex capital distribution.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda

[illegible]

Jupiter Tyndall (Bermuda) Ltd

[illegible]

Newport Investment Management

[illegible]

BERMUDA (REGULATED)(**)

Bermuda Intl Invest Mgmt Ltd

[illegible]

Butterfield Management Co Ltd

[illegible]

Orbis Investment Management Ltd

[illegible]

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd

Adams & Neville Fd Mangt (Guernsey) Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

[illegible]

Hambros Fd Mgrs (CI) Ltd

[illegible]

Kleinwort Benson Intl Fd Mngrs Ltd

[illegible]

Lazard Freres Asset Management (CI) Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

[illegible]

Lloyds Intl Money Market Fund Ltd

[illegible]

M & G (Guernsey) Ltd

[illegible]

Rothschild Asset Management (CI) Ltd

[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

[illegible]

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 245, St Peter Port, Guernsey 01481 725021

[illegible]

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey 01481 710851

[illegible]

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Aquila Fund Managers (Guernsey) Ltd

CIBC Fund Managers (Guernsey) Ltd

Lazard Fund Managers (CI) Ltd

Lloyds Bank Fund Managers (Guernsey) Ltd

Nikko Capital Mngt (Europe) Ltd

Royal Bank of Canada Intl Money Market Fd Ltd

Schroder Investment Management (Guernsey) Ltd

Stalnes Fund Managers (Guernsey) Ltd

Yamaichi Capital Mngt (Guernsey) Ltd

[illegible]

IRELAND (SIB RECOGNISED)

AIB Fund Managers Ltd

BT Fund Managers (Ireland) Ltd

Bank of Ireland Asset Management

Coutts & Co Fund Managers (Ireland) Ltd

The Fiduciary Trust Global Fund

GAM Fund Management Ltd

[illegible]

Guinness Flight Select Funds Plc
Europa Hse, Harcourt St, Dublin 2 00 3531 407 2000

[illegible]

Hambros Fund Managers (Ireland) Ltd
Intl Financial Services Ctre, Dublin 1 0177 505 1871

Asian Korea Advantage . | $10.50 11.03 | — | 0.00

Henderson Crosthwaite Investment Co
32 St Mary at Hill, London, EC3P 3AJ 0800 561206

[illegible]

LGT Asset Management Ltd
(44) 171 710 4567 London (852) 842 7200 Hong Kong

[illegible]

Morgan Grenfell Investment Funds Ltd (a)

[illegible]

Murray Johnstone (Dublin) Ltd

Old Mutual International Fd Mngrs Ltd (a)

Prolific International Fund Plc

Scottish Value Management (Ireland) Ltd (a)

Singer & Friedlander Inv Funds Ltd (a)

[illegible]

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

Apollo Fund Plc

Argenta European Hedge Fund plc

Asia Dynamic Growth Fund Plc

Asia Small Cos Growth Fund plc

Asian Diversified Equity Fund Plc

Asian Emerging Markets Fund Plc

Asian Gateway Fund Plc

Asian Growth Fund Plc

Asset Korea Fund

Bank of Ireland Unit Managers Ltd

Baring Intl Fund Mgrs (Ireland) Ltd

Berkshire NTC Growth Fund Plc

Berkshire Korea Fund Plc

CFP Interest Rate Arbitrage Fund Plc

Caplan Fund

Capital Vision Fund Plc

[illegible]

Chemical Ireland Fund Administrators Ltd

[illegible]

Citi Investment Fund (Ireland)

Citi Korea Equity | $9.34 | +0.29

Citizens Investment Trust Mngt Company

CITC Frontier NAV | $16.74 | +0.20

[illegible]

Daiwa Europe Fund Managers Ireland Ltd

[illegible]

Dragon Korea Fund Plc

NAV | $8.703

Dresdner Kleinwort Benson Int Mgt Services Ltd

[illegible]

Falcon Market Fund Plc

Fresh Korea Fund

GM Fund Management (Ireland) Ltd

Gordon House Asset Management

Kleinwort Benson Bond Arbitrage Fund Plc

Korea Balanced Return Fund

Korea CB Fund Plc

Korea Capital Growth Fund

Korea Golden Dynasty Fund Plc

Korea Investment Management Ireland Ltd

Korea Strategic Growth Fund

Korea Emerging Growth Fund Plc

Korea Preferred Share Fund

LGT Asset Management

Matrix Fund Company Plc

Morgan Grenfell Fund Income Funds Plc

Old Mutual International Ltd

Orient Balanced Fund Plc

Pacific 21st Century Fund

Pacific Growth Fund Ltd

Paine Webber Offshore Funds Plc

Swiss Life Investment Fund - Protean (a)

Sun Life Fund Managers (Ireland) Ltd

Yuki Taiwan Fund

[illegible]

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

Bordier Intl Fund Mgrs (IOM) Ltd

[illegible]

Ashburton Global Funds Ltd (1200)

[illegible]

Bank of Ireland Asset Mngmt (IOM) Ltd

CMI Fund Managers (IOM) Ltd

Mercury Fund Managers Intl Ltd

Quilter Intl Mngt (IoM) Ltd

Sun Life Management (IoM) Ltd

Water Bank Global Funds Plc

[illegible]

ISLE OF MAN (REGULATED)(**)

AXA Equity & Law Intl Fund Mgrs

Bank of Ireland Asset Mngmt (IOM) Ltd

City Financial Admin (IoM) Ltd

Duncan Lawrie Inv. Mgt. Ltd

Quilter Intl Mngt (IoM) Ltd

Sytrofa International Fund Management Ltd

[illegible]

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

Barclays International Funds

Coutts & Co (Jersey) Fund Managers Ltd

Fidelity Fund Managers Ltd

American Phoenix Investment Portfolios (a)

Guinness Flight Fund Mgrs (Jersey) Ltd

Lloyds Bank (CI) UT Mgrs

Midland Bank Fund Managers (Jersey) Ltd

Perpetual Unit Trust Mgmt (Jersey) Ltd

Prudential Fund Managers (Jersey) Ltd

Royal Bank of Scotland Fd Mgrs (Jersey) Ltd

Standard Bank Fund Mngmt (Jersey) Ltd

TSB Fund Managers (CI) Ltd

[illegible]

JERSEY (REGULATED)(**)

Barclays Intl Funds

Color Allen Investment Managers (Jersey) Ltd

Citibank (CI) Ltd

Coutts & Co (Jersey) Fund Managers Ltd

Fleming Group

[illegible]

John Govett Management (Jersey) Ltd

INVESCO International Limited

Jupiter Tyndall (Jersey) Ltd

Lloyds Private Banking (CI) Ltd

Lombard Odier (Jersey) Ltd

Lazard Financial Services Limited

Manhattan Unit Tst. Mngr. (Jersey) Ltd

The Portugal Fund Limited

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

Schroder Mngt Services (Jersey) Ltd

Schlesinger Kemp-Gee Mngmt., Jersey

TSB Fund Managers (CI) Ltd

Worldinvest (Managers) Jersey Ltd

[illegible]

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (a)

Aetna Asset Management Luxembourg SA (a)

BAII Asset Management Ltd

Bank Von Ernst & Cie AG

Barclays Diversified Portfolio (a)

Bearbull Asset Management

Commercial Union Luxembourg SA (a)

Credit Suisse Fund Luxembourg

Dresdnerbank Asset Mngmt SA (a)

E.T. Investment Management Ltd

Eagle Star - Global Assets Fund (p)

Fidelity Funds (a)

Fleming Group (a)

Foreign & Colonial Emerging Markets Ltd (a)

Gartmore Luxembourg SA (a)

Henderson Management SA (a)

Hypo Foreign & Colonial Port Fd Sicav(a)

INVESCO International Limited (a)

Kleinwort Benson Japanese Warrant Fund

Kleinwort Benson Select Fund (a)

Liberty Investment World Portfolio (a)

Jupiter Tyndall Global Fund

Sun Life Global Portfolio

[illegible]

Nikko Capital Management

Nomura Global Fund (a)

PRISMA Worldwide Inv Portfolio Sicav (a)

Edmond de Rothschild Group

S-E-Banken Luxembourg SA

Schroder International Selection Fd (a)

Sun Life Global Management Ltd (a)

Thornton Investment Management Ltd

Touche Global Strategy Funds

[illegible]

LUXEMBOURG (REGULATED)(**)

Asian International Umbrella Fund (a)

Alliance Capital

Americas Fund SICAV

The Archipelago Fund Sicav

Asian Development Equity Fund

Lombard Ferrier Lullin (Lux) SA

Banque Scandinave En Suisse

Ind - Keystone Asia Premier Fund

Mahoney Management Lux SA

Capel-Cure Myers Intl Fd Sicav (a)

Carlson Investment Management

Chase Manhattan Bank Luxembourg SA

Citicorp Investment Mngt (Luxembourg) SA

Citicorp Asset Value Fund

Citiexprs Korea Emerging Growth Fund

Cox & Kings Overseas Fund

Credis Investment Funds

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

	Selling Price	Buying Price	+ or -	Yield Gross
Credis Investment Funds - Contd.	[illegible]	[illegible]	[illegible]	[illegible]
NICAM Asia Pacific Umbrella Fund	[illegible]	[illegible]	[illegible]	[illegible]
Nikko Asia Convertible Bond Fund	[illegible]	[illegible]	[illegible]	[illegible]
Nikko Bank (Luxembourg) S.A.	[illegible]	[illegible]	[illegible]	[illegible]
Nomura Asian Infrastructure Fd SICAV				
NAV		$22.49	-0.14	-
For Oasis Fund see Fleming Group				
Pacific Basin Growth Fund	[illegible]	[illegible]	[illegible]	[illegible]
Pan-Holding SA	[illegible]	[illegible]	[illegible]	[illegible]
Pictet Group				
Asia Growth		$105.23	-	-
Allied Dunbar International Assce Ltd (z)	[illegible]	[illegible]	[illegible]	[illegible]
CMI Insurance Co Ltd	[illegible]	[illegible]	[illegible]	[illegible]
Premier Life	[illegible]	[illegible]	[illegible]	[illegible]
Professional Investment Co	[illegible]	[illegible]	[illegible]	[illegible]
Royal Life International	[illegible]	[illegible]	[illegible]	[illegible]
CA Securities Investment Fund Mgmt Ltd	[illegible]	[illegible]	[illegible]	[illegible]
Global Asset Management - Contd.	[illegible]	[illegible]	[illegible]	[illegible]
MFS Meridian Funds	[illegible]	[illegible]	[illegible]	[illegible]
Republic Funds	[illegible]	[illegible]	[illegible]	[illegible]

OTHER OFFSHORE FUNDS

	Selling Price	Buying Price	+ or -	Yield Gross
ATSP Management Ltd	[illegible]	[illegible]	[illegible]	[illegible]
AXA Asset Management	[illegible]	[illegible]	[illegible]	[illegible]

OFFSHORE INSURANCES

	Selling Price	Buying Price	+ or -	Yield Gross
AXA Equity & Law Intl Life Assce Co	[illegible]	[illegible]	[illegible]	[illegible]

MANAGED FUNDS NOTES

[illegible]

LONDON STOCK EXCHANGE

MARKET REPORT

Tentative equities wary of latest slide in gilts

By Steve Thompson, UK Stock Market Editor

A worrying slide in gilts and bunds yesterday took some of the gloss off an otherwise comforting performance by UK equities.

The retreat in gilts was attributed by dealers to a similar move by German bunds, in the wake of a disappointing bund auction and ahead of expected German January M3 money supply numbers.

Gilts aside, it was a highly respectable showing by London, with the FT-SE 100 index shrugging off small bouts of selling in mid-morning and gradually building on Wednesday's good rally to end the session 14.4 higher at 3,740.0, making a two-day gain of 25.4.

Second-line stocks were also well supported, with some excellent performances by a handful of housebuilders, insurances and a number of individual stocks driving the FT-SE Mid 250 up 15.7 to 4,197.7. That left the index within 2.2 points of its all-time high and some traders said it was set to race through 4,200.

Once again, it was the US that provided the main impetus behind the London market. The Dow Jones Industrial Average jumped 57 points overnight, while bonds also gained ground, and gave a solid foundation to all European markets.

Wall Street's good showing came as that market reassessed the comments made by Mr Alan Greenspan in his congressional testimony.

The Footsie began the session on a quietly firm note, up around 6 points, but quickly ran into pockets of selling pressure. This was said to have reflected at least two trading programmes, thought to have been weighted on the sell side and which saw the Footsie dip into negative territory in mid-morning.

Once the programmes were absorbed, however, the market began to gather momentum, with the pace accelerating when US markets opened. The Dow jumped some 50 points within the first 45 minutes, triggering the mechanisms which restrict program trading, before sliding back and then moving ahead again to post a 42-point rise at 6pm London time.

Traders were concerned with the poor showing by gilts and bunds, and the UK market's reluctance to follow Wall Street's latest upsurge.

"The 3,700 level on the Footsie is undoubtedly a floor, but it does seem that the market is unusually nervous about gilts and bonds in general," remarked the head trader at one of the top UK securities houses.

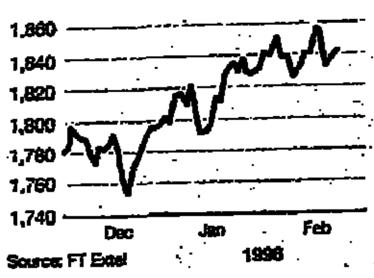
Hanson took top place in the FT-SE 100 league and was the second-heaviest traded stock in the index in the wake of exceptionally heavy buying interest from the US.

Corporate results were behind exceptionally strong showings by Rank Organisation and ICI, while Sun Alliance was being aggressively bought ahead of its forthcoming preliminary figures.

Banks, on the other hand, suffered from a second dose of increased competition in the mortgage market, after the Nationwide Building Society said that it was cutting its lending rates and increasing its savings rates, in a similar move to that by Bradford & Bingley at the end of last month.

Turnover at 6pm totalled 739.3m shares. Customer business on Wednesday was valued at £2.1bn.

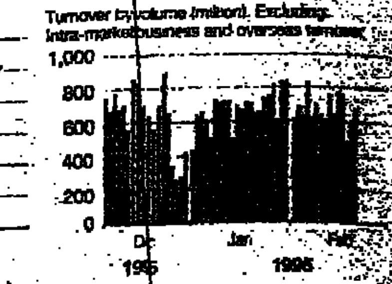
FT-SE-A All-Share index



Source: FT Extel

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3740.0	+14.4	FT Ordinary index	2781.5	+20.5
FT-SE Mid 250	4197.7	+15.7	FT-SE-A Non Fins p/e	17.31	(17.38)
FT-SE-A 350	1867.4	+7.2	FT-SE100 Fut Mar	3739	+18.0
FT-SE-A All-Share	1842.98	+6.83	10 yr Gilt yield	7.82	(7.77)
FT-SE-A All-Share yield	3.75	(3.76)	Long gilt/equity yld ratio:	2.21	(2.18)

Best performing sectors

1 Leisure & Hotels .... +2.3
2 Diversified Inds .... +1.4
3 Chemicals .... +1.4
4 Electronic & Elec .... +1.0
5 Tobacco .... +0.9

Worst performing sectors

1 Gas Distribution .... -1.4
2 Banks, Retail .... -0.6
3 Paper, Pckg & Print .... -0.2
4 Breweries Pubs & Rest .... -0.1
5 Food Producers .... -0.0

Buyers return to Hanson

Having turned against Hanson at the end of January, the City swung back behind the international conglomerate yesterday, pushing the shares to the top of the Footsie rankings in heavy volume.

The announcement that the head of Hanson's tobacco division, Imperial Tobacco, had left to join shareholder pressure organisation Brooke Group set hearts racing among sector watchers. Some analysts were said to be putting two and two together and coming up with more than four.

The hottest talk centred on a possible change of ownership for Imperial, with best bets on the asking price starting at £3bn. Brooke has been attempting for some time to force a break-up of RJR Nabisco, the US foods and tobacco giant.

Hanson shares, which traded around 210p a month ago, rose 8¼ to 190¼p in above average volume of 24m, flanked by heavy options dealing.

ICI pleases

A raft of heavyweight results produced a collective sigh of relief in the market as earlier intimations of profits warnings failed to materialise.

ICI set the trend with a rise of 25 to 857p after announcing a pre-exceptionals profit of £951m. The figure was in line with most forecasts but buyers were attracted by the prospect of some sort of shareholder handout.

Mr Charles Lambert of Merrill Lynch believes the shares have broken through a decisive barrier and could now climb another 100p.

Then, Royal Insurance delighted analysts with a 33 per cent dividend rise, compared with forecasts of a 25 per cent increase. The shares moved up 8 to 394p before investors began to switch holdings into the next results play in the sector. Royal closed 3 higher at 389p, while Sun Alliance benefited from the switching to end the day 8 up at 389p.

But every day must have its dog and, as has been the case so many times, British Gas took the dubious honour.

Like the other two companies, Gas announced figures in line with forecasts. But at a rather downbeat meeting with analysts, there were hints that the scale of the losses from trading would be bigger than the market expected.

SGST argued that the figures were primarily historic but that a very real threat to the dividend remained. Gas shares fell 3½ to 236½p with 26m traded.

Medias active

Media shares swung around on a barrage of comment and counter-comment yesterday.

MAI, the media investment group, was up around 30p in early dealings on a press story that Carlton Communications had set up a £1.8bn banking facility and was poised to make a bid.

Then, Carlton yielded to pressure from the Stock Exchange Takeover Panel and denied it intended to intervene in the proposed merger between MAI and United News & Media. MAI retreated to finish 17 down at 419p, while United rose 12 to 653p.

Subsequently, the spotlight shifted to Mirror Group, where the shares were up 6 at one stage on unusually heavy turnover of 7.8m, fuelled by speculation that it was Carlton's latest target.

Harassed Carlton executives were said to have been ringing around the market to scotch the second rumour by arguing that a tie-up would contravene the Broadcasting Act. Having been down 22 and up 22, Carlton ended the day 7 higher at 1013p.

Banking stocks were knocked by news that the Nationwide Building Society was cutting its variable mortgage rate and increasing its savings rate.

Worries of a mortgage price war have been bubbling ever since Bradford & Bingley announced, at the end of January, a mortgage rate cut and a plan to return £50m a year to savers and borrowers. The worries returned yesterday and Abbey National fell 6 to 586p, while Lloyds TSB slipped 4 to 323p and Barclays 7 to 782p.

Among food retailers, Asda Group hardened 2½ to 106½p, with James Capel said to be positive on the stock. However, the same broker was said to have taken the opposite stance on discount retailer Kwik Save. It was also reported to have downgraded profit expectations at Kwik Save, reducing the current year figure by £10m to £100m, and the following year's by £17m to £102m.

J. Sainsbury firmed 1½ to 385p in trade of 3.4m, with Cazenove said to have urged investors to buy the shares. There was a two-way pull in rival Tesco, where the shares eased a penny to 276p on volume of 5.7m. The stock is one of eight in which Merrill Lynch yesterday issued American style call warrants, although the broker was unable to confirm details of the basket.

Other stocks in which Merrill Lynch was said to have issued warrants included Grand Metropolitan, 4 ahead at 441p, Scottish & Newcastle, 3 off at 661p, and Whitbread, a penny harder at 716p.

The market cheered news from Airtours that UK cruise ship company Carnival Corporation is to acquire a 29.6 per cent stake in the UK tour operator. Airtours first revealed it was in talks with Carnival in January. Shares in Airtours surged 20 to 450p following the announcement.

An upbeat trading statement from rival First Choice Holidays saw the stock improve 7 to 69p.

Diversified leisure group Rank Organisation moved strongly ahead. 14-month figures from the group came in at the top end of expectations and were backed by a confident statement.

The shares, which fell back on Wednesday in nervous trading ahead of the figures, bounced 15½ to 479½p in trade of 5m.

Analysts at Kleinwort Benson said they were encouraged by the figures and reiterated their long term "buy" stance on the stock.

British Aerospace moved ahead strongly on talk of a wholesale restructuring for Europe's defence industry.

French plans to realign a number of aircraft and electronics businesses sparked steady buying at BAe, seen as a core element in any shake-up among UK defence manufacturers. The shares, up 19 at one stage, closed 9 better at 852p.

GEC appreciated 6½ to 374p, Rolls-Royce hardened 2½ to 210½p and Vickers finished 5½ better at 288p. GKN moved forward 13 to close at 827p.

The latest mortgage rate cut reversed the recent weak trend at leading housebuilder George Wimpey, hoisting the shares by more than 6 per cent. They comfortably topped the FT-SE Mid 250 performance charts with a rise of 8 to 139p. Taylor Woodrow ended 5½ higher at 148p.

Rentokil moved up sharply on news that it had refined its bid approach to business support services rival BET. Shares in the group, which has scaled down its takeover plans for BET, jumped 6½ to 344½p. BET ended a penny better at 196½p in 14m traded.

Mobile phones group Vodafone continued to make up for its recent dull performance, adding 3½ at 231p, in 6.3m traded, for a two-day advance of more than 4 per cent. Hoare Govett reiterated its positive stance on the shares, pointing to strong overseas business and the way the group's churn rate (subscriber cancellations) is declining.

MARKET REPORTERS:
Peter John, Joel Kibazo, Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Feb 22	Feb 21	Feb 20	Feb 19	Feb 16	Yr ago	*High	*Low
Ordinary Share	2781.5	2741.0	2720.5	2734.5	2748.9	2314.3	2788.2	2238.3
Ord. div. yield	3.68	3.87	3.90	3.86	3.83	4.59	4.73	3.79
P/E ratio net	16.13	16.49	16.40	17.08	17.16	16.93	21.33	15.35
P/E ratio nil	15.93	16.27	16.18	16.86	16.94	16.14	22.21	15.17

*For 1995/96. Ordinary Share index since compilation: high 2788.2 18/01/96; low 49.4 26/6/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2750.6	2746.3	2750.1	2752.9	2757.9	2757.7	2759.4	2760.2	2759.0	2761.9	2743.8

	Feb 22	Feb 21	Feb 20	Feb 19	Feb 16	Yr ago
SEAQ bargains	31,140	30,449	30,733	31,118	36,026	22,168
Equity turnover (£m)†	-	2113.2	1645.3	1361.7	1664.1	1588.4
Equity bargains†	-	36,006	35,690	37,902	41,476	29,249
Shares traded (mil)†	-	685.1	597.8	499.8	765.9	648.3

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	836	Total Highs	93	Total contracts	38,042
Total Falls	319	Total Lows	19	Calls	22,171
Same	1,636			Puts	15,871

Feb. 22 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3728.0	3739.0	+18.0	3744.0	3721.0	11900	57308
Jun	3731.0	3743.0	+17.5	3744.0	3730.5	1663	8149
Sep		3759.0	+18.0			0	2173

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		4200.0	+20.0			0	3311

■ FT-SE 100 INDEX OPTION (LIFFE) (*3739) £10 per full index point

	3550 C	3550 P	3600 C	3600 P	3650 C	3650 P	3700 C	3700 P	3750 C	3750 P	3800 C	3800 P	3850 C	3850 P	3900 C	3900 P
Mar	194	5	148½	8½	105½	15½	68	27½	37½	48½	16½	79½	6	121½	2	171
Apr	196½	17½	155	25½	118	38½	87	57½	60½	80½	38½	108½	23½	143½	13½	184
May	215	30½	177½	42	142	55½	110	74	83	96	58½	123	41	155	28½	192
Jun	230½	43½	191	53½	159	69½	127	87½	181	110½	77	136½	57½	167½	40½	201
Dec†			280	110½			218	147			169	196			126½	253½

Calls 3,029 Puts 3,449

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3575 C	3575 P	3625 C	3625 P	3675 C	3675 P	3725 C	3725 P	3775 C	3775 P	3825 C	3825 P	3875 C	3875 P	3925 C	3925 P
Mar	169	5	123½	10½	83	19½	50	36	25½	61½	10	95½	3½	139	1	186½
Apr	178½	24	140½	35½	106	50½	76½	70½	51½	95	27½	125½	19½	162	11	203
May	193½	34	157	46½	124	63	99	83	76	107½	50	137	34½	170½	23	208
Jun			180	64½			115	97			71½	147½			37	215½
Sept†			221½	92			159	126½			101½	174			72	232

Calls 6,649 Puts 4,061 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995/96 High	1995/96 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	28.4	504	283	BZW Eq (Brnda)	284		-	-	-	-
-	F.P.	5.76	6½	5½	†Ballynabay	5½		-	-	-	-
75	F.P.	17.6	8½	7¼	Clubhaus	7¼		v-	-	-	13.4
-	F.P.	0.09	5½	3½	Clubhaus Wts	3½		-	-	-	-
-	F.P.	13.1	90	70	†Dmatek	70		-	-	-	-
-	F.P.	15.0	15	11	Ex-Lands Props	13½		Lv0.5	-	4.6	-
-	F.P.	2.19	13½	8½	Ex-Land Wts	8½		-	-	-	-
60	F.P.	34.3	58	63	MediaKey	63		Lv0.96	-	1.9	-
-	F.P.	0.13	8	8	†Nthm Petrc Wts	8		-	-	-	-
-	F.P.	75.8	71	66	†Optical Care (S)	68		-	-	-	-
-	F.P.	3.10	12	12	Oriencode	12		-	-	-	-
-	F.P.	1.13	105	100	†Revelation P'dilly	105		-	-	-	-
54	F.P.	2.97	60	51	†Self Sealing Sys	51		-	-	-	-
175	F.P.	125.4	223	199	Shire Pharms	208	-3	-	-	-	-
-	F.P.	1.00	9	6	†SkyePharma Wts	8¼		-	-	-	-

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Feb 21	% chg on day	Feb 20	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (33)	2284.32	-1.4	2315.65	1732.29	1.43	-	2520.73	1686.31
■ Regional Indices								
Africa (16)	2973.44	-5.6	3148.20	2686.54	2.82	35.29	3553.86	2272.74
Australasia (5)	2579.73	-3.1	2663.21	1873.20	2.37	39.79	2927.34	1873.20
North America (12)	2047.70	+1.0	2027.90	1431.70	0.66	61.83	2186.39	1398.96

 Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. ‡ Partial. Latest prices were unavailable for this edition.

FT - SE Actuaries Share Indices — The UK Series

	Feb 22	Day's chge%	Feb 21	Feb 20	Feb 19	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3740.0	+0.4	3725.6	3714.6	3744.3	3049.3	3.88	2.07	15.55	13.03	1500.28
FT-SE Mid 250	4197.7	+0.4	4182.0	4177.9	4190.0	3401.0	3.50	1.74	20.54	23.93	1662.97
FT-SE Mid 250 ex Inv Trusts	4213.5	+0.4	4198.2	4192.2	4203.7	3408.7	3.63	1.79	19.25	25.27	1671.14
FT-SE-A 350	1867.4	+0.4	1860.2	1855.5	1868.3	1520.8	3.80	2.00	16.40	7.40	1533.04
FT-SE-A 350 Higher Yield	1870.3	+0.4	1863.5	1857.3	1868.0	1545.7	4.68	1.87	14.31	6.57	1273.55
FT-SE-A 350 Lower Yield	1869.1	+0.4	1861.6	1858.6	1873.6	1495.4	2.86	2.25	19.42	8.30	1281.84
FT-SE SmallCap	2041.93	+0.2	2037.47	2041.07	2043.50	1707.35	3.08	1.82	22.29	4.03	1654.09
FT-SE SmallCap ex Inv Trusts	2020.09	+0.2	2016.39	2019.71	2021.41	1685.30	3.29	1.91	19.88	4.17	1645.38
FT-SE-A ALL-SHARE	1842.98	+0.4	1836.15	1832.12	1843.95	1503.71	3.75	1.99	16.74	7.02	1537.09

■ FT-SE Actuaries All-Share

	Feb 22	Day's chge%	Feb 21	Feb 20	Feb 19	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3235.43	+0.4	3221.45	3220.56	3235.58	2846.17	4.00	1.51	20.67	22.56	1370.96
12 Extractive Industries(6)	4169.28	+0.5	4157.80	4149.48	4178.76	3432.15	3.79	2.39	13.79	85.48	1225.90
15 Oil, Integrated(3)	3265.33	+0.4	3253.16	3252.66	3268.07	2656.02	4.23	1.35	21.83	16.24	1415.57
16 Oil Exploration & Prod(15)	2217.06	+0.9	2198.18	2212.87	2223.42	1916.61	2.21	1.46	38.59	0.00	1315.97
20 GEN INDUSTRIALS(276)	2039.97	+0.8	2024.42	2016.98	2022.51	1805.71	4.06	1.88	16.37	2.06	1096.48
21 Building & Construction(34)	1070.65	+0.8	1062.35	1062.78	1060.58	924.20	3.72	2.08	16.14	1.16	883.05
22 Building Matls & Merchs(29)	1886.42	.....	1885.75	1887.79	1903.86	1697.04	3.97	2.03	15.50	0.61	936.52
23 Chemicals(23)	2472.41	+1.4	2439.13	2423.02	2409.42	2152.45	4.04	2.02	15.30	0.91	1151.77
24 Diversified Industrials(21)	1771.19	+1.4	1746.96	1737.52	1748.44	1798.79	5.57	1.48	15.15	3.32	970.22
25 Electronic & Elect Equip(38)	2346.34	+1.0	2323.04	2310.11	2321.25	1911.05	3.07	1.95	20.91	2.04	1204.83
26 Engineering(71)	2282.27	+0.5	2270.24	2266.66	2267.24	1729.96	3.27	2.24	17.09	3.48	1368.16
27 Engineering, Vehicles(13)	2612.86	+0.6	2596.41	2591.77	2602.76	2037.24	3.92	1.26	25.32	0.23	1332.33
28 Paper, Pckg & Printing(28)	2692.93	-0.2	2699.55	2670.70	2673.61	2788.97	3.72	2.53	13.30	0.39	1104.76
29 Textiles & Apparel(19)	1481.13	+0.2	1477.47	1479.31	1480.29	1458.77	4.70	1.75	15.23	0.32	868.52
30 CONSUMER GOODS(81)	3626.06	+0.4	3612.43	3606.41	3642.73	2826.99	3.81	1.74	18.84	7.79	1318.55
32 Alcoholic Beverages(9)	2797.19	+0.8	2774.01	2774.59	2807.92	2561.78	4.35	1.67	17.23	28.48	899.74
33 Food Producers(23)	2532.29	.....	2533.19	2539.03	2552.79	2346.45	4.30	1.70	17.04	4.53	1125.03
34 Household Goods(15)	2557.95	.....	2558.66	2548.00	2602.91	2486.17	3.73	2.15	15.59	1.96	961.12
36 Health Care(20)	1953.68	+0.2	1949.69	1952.13	1959.31	1579.57	2.62	1.76	26.99	2.08	1174.24
37 Pharmaceuticals(13)	5165.30	+0.3	5150.10	5155.98	5222.46	3467.28	3.21	1.69	23.08	0.05	1725.17
38 Tobacco(1)	4891.93	+0.9	4849.58	4743.69	4760.64	3568.45	4.90	1.94	13.16	0.00	1183.51
40 SERVICES(253)	2327.43	+0.5	2315.44	2310.80	2330.66	1836.34	2.98	2.11	19.92	12.96	1199.45
41 Distributors(32)	2583.43	+0.8	2562.70	2577.36	2609.12	2262.97	3.74	1.83	18.25	0.00	940.25
42 Leisure & Hotels(23)	2899.98	+2.3	2835.74	2850.26	2878.18	2071.51	2.86	2.10	20.84	104.50	1542.29
43 Media(46)	3839.56	+0.7	3814.43	3799.97	3834.41	2726.64	2.20	2.13	26.66	11.48	1378.50
44 Retailers, Food(15)	1914.60	+0.3	1908.81	1902.79	1925.16	1774.75	3.82	2.41	13.62	2.85	1200.63
45 Retailers, General(43)	1922.48	+0.2	1918.15	1915.89	1935.58	1508.14	3.09	2.23	18.15	5.57	1086.89
47 Breweries, Pubs & Rest.(24)	2979.31	-0.1	2981.71	2978.46	2963.04	2152.10	3.31	2.08	18.10	15.46	1420.51
48 Support Services(49)	2075.60	+0.7	2061.16	2056.26	2060.09	1439.33	2.31	2.52	21.50	2.39	1307.68
49 Transport(21)	2300.11	.....	2299.22	2281.94	2304.05	2155.55	3.77	1.39	23.87	3.84	948.16
60 UTILITIES(33)	2465.94	+0.2	2461.70	2440.96	2452.85	2356.65	5.03	2.07	12.01	27.33	1043.13
62 Electricity(12)	2774.18	+0.7	2754.56	2738.92	2760.68	2447.46	5.01	2.60	9.61	105.57	1343.07
64 Gas Distribution(2)	1577.30	-1.4	1600.31	1600.56	1603.76	1978.07	7.60	1.37	11.99	0.00	791.35
66 Telecommunications(7)	2033.73	+0.3	2028.46	1997.73	2003.59	1983.73	4.15	1.77	17.02	0.00	920.52
68 Water(12)	2095.57	+0.2	2092.28	2096.64	2109.37	1740.03	5.62	2.60	8.27	3.61	1136.41
69 NON-FINANCIALS(667)	1945.48	+0.5	1936.04	1930.19	1942.91	1625.57	3.82	1.89	17.31	9.14	1457.94
70 FINANCIALS(106)	2949.21	-0.2	2954.32	2956.10	2974.75	2140.81	3.77	2.56	12.95	0.68	1245.60
71 Banks, Retail(8)	4174.05	-0.6	4198.50	4212.49	4244.77	2819.47	3.43	2.97	12.28	0.00	1338.04
72 Banks, Merchant(6)	3505.75	+0.4	3491.28	3496.45	3546.51	3061.81	2.66	2.41	19.53	0.00	1099.02
73 Insurance(24)	1439.25	+0.7	1428.87	1412.63	1417.38	1198.91	5.32	2.92	8.05	0.39	1055.12
74 Life Assurance(6)	3553.89	+0.5	3535.79	3534.86	3544.82	2329.68	3.93	1.53	20.80	0.00	1447.86
77 Other Financial(23)	2543.96	.....	2543.95	2547.21	2553.69	1841.66	3.55	1.90	18.52	1.06	1426.98
79 Property(41)	1451.92	+0.3	1447.76	1445.65	1454.15	1376.45	4.30	1.31	22.24	2.64	882.12
80 INVESTMENT TRUSTS(127)	3133.17	+0.5	3116.35	3122.08	3135.56	2600.50	2.15	1.04	55.76	6.43	1086.52
89 FT-SE-A ALL-SHARE(902)	1842.98	+0.4	1836.15	1832.12	1843.95	1503.71	3.75	1.99	16.74	7.02	1537.09
FT-SE-A Fledgling	1147.96	+0.2	1146.09	1147.89	1148.97	971.20	2.94	2.22	19.13	2.78	1188.86
FT-SE-A Fledgling ex Inv Trusts	1147.83	+0.1	1146.23	1147.18	1146.20	970.87	3.22	2.39	16.22	2.94	1187.99

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3731.9	3727.8	3731.1	3728.2	3736.3	3737.0	3739.5	3739.4	3739.3	3741.4	3723.5
FT-SE Mid 250	4187.8	4190.3	4190.4	4192.3	4194.8	4193.0	4194.1	4195.7	4197.3	4197.7	4187.8
FT-SE-A 350	1863.2	1861.9	1863.2	1862.2	1865.6	1865.7	1866.8	1866.9	1867.0	1867.7	1860.3

Time of FT-SE 100 Day's high: 2:43 PM Day's low: 10:26 AM. FT-SE 100 1996 High: 3781.3 (02/02/96) Low: 2954.2 (23/01/95).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1073.6	1075.9	1075.9	1080.1	1085.3	1086.7	1086.7	1086.2	1086.2	1086.2	1072.3	13.9
Pharmaceuticls	5101.7	5097.3	5106.2	5106.3	5119.3	5120.7	5118.5	5117.4	5110.7	5109.9	5094.8	15.1
Water	2088.0	2088.3	2087.6	2088.7	2088.7	2089.1	2089.1	2087.9	2088.3	2088.3	2085.0	3.3
Banks, Retail	4257.6	4253.4	4254.1	4218.4	4227.1	4227.5	4229.3	4227.1	4228.2	4227.3	4252.1	-24.8

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues.
"The FT-SE Actuaries Share Indices are calculated by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. The FT-SE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. "FT-SE" and "Footsie" are trademarks of the London Stock Exchange and the Financial Times Limited and are used by FT-SE International Limited under licence. Auditor: The WM Company." † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	229	422	+5
ASDA Group†	6,600	106½	+2½
Abbey National†	13,000	586	-6
Albert Fisher	2,600	44½	[illegible]
Allied Domecq†	3,400	529	+4
Anglian Water	767	583	-2
Argos†	238	595	+6
Argyll Group†	2,500	306	+½
Arjo Wiggins	2,400	201	-6
Assoc. Brit. Food	350	339	-
Assoc. Brit. Ports	643	289	-4
BAA†	6,200	493	+1
BAT Inds.†	6,200	571½	+4½
BET	14,000	196½	+1
BICC	1,200	294	+4
BOC†	675	921	+3
BP†	5,700	536½	+2½
BPB Inds.	173	318	+2
BSkyB†	755	395	-
BT†	6,800	353½	+1½
BTR†	8,400	322	-
Bank of Scotland†	3,000	277	-2
Barclays†	4,300	782	-7
Bass†	1,500	745	-2
Blue Circle†	1,200	351	-1
Booker	40	362	-
Boots†	1,600	622	-
Britannic	1,300	753	+10
Brit. Aerospace†	5,300	852	+9
British Airways†	2,050	502	-
British Gas†	27,000	236½	-3½
British Land	1,500	337	+3
British Steel†	3,900	171½	-½
Bunzl	1,300	197	+1
Burmah Castrol†	331	1034	-
Burton†	2,000	151¼	-
Cable & Wire†	7,000	458	-
Cadbury Schweppes†	3,600	539	-
Caradon	3,500	210	-1
Carlton Comms.†	3,400	1013	+7
Coats Viyella	1,600	154	+3
Comm. Union†	2,500	617	+3
Compass	550	492	-
Cookson†	2,400	295	+2
Courtaulds†	1,200	426½	+7½
Dalgety	289	439	-½
De La Rue	137	722	-4
Dixons†	200	449	+5
East Midland Elect.	293	732	+1
Electrocomps	145	342½	+1½
Eng China Clays	85	346	-
Enterprise Oil†	120	380	+8
Eurotunnel Units	329	83	+1
FKI	[illegible]	157	+1
Foreign & Col. I.T.†	[illegible]	163½	+1½
Forte	[illegible]	346	+6
Gen. Accident†	[illegible]	646	-2
General Elect.†	[illegible]	374	+6½
Glaxo Wellcome†	[illegible]	923½	+2
Glynwed	[illegible]	326	+2
Granada†	[illegible]	726	+21
Grand Met.†	[illegible]	441	+4
GUS†	[illegible]	689	-3
Greenalls†	[illegible]	577	+1
GRE†	[illegible]	247	+1
GKN†	[illegible]	827	+13
Guinness†	[illegible]	445	+4
HSBC (75p shs)†	[illegible]	1074	-2
Hammerson	[illegible]	341	+3
Hanson†	[illegible]	190¼	+8¼
Harrisons Crosfield	[illegible]	159	+3
Hays	[illegible]	382	+1
Hillsdown	[illegible]	179	-1
IMI	[illegible]	330	-2
ICI†	[illegible]	857	+25
Inchcape	[illegible]	251½	+6½
Johnson Matthey	[illegible]	585	+5
Kingfisher†	[illegible]	513½	+7½
Kwik Save	88	475	-13
Ladbroke†	[illegible]	186	-
Land Securities†	23	614	+1
Laporte	[illegible]	650	+9
Legal & General†	71	719	-7
Lloyds Abbey	[illegible]	327	-
Lloyds TSB†	15,000	323	-4
LASMO†	6,400	182	+1
London Elect	212	748	+1
Lonrho	1,100	183½	+4
Lucas	686	189	-
MEPC	1,800	412	+2
MFI	4,300	154	-½
Marks & Spencer†	3,900	425½	+2½
Mercury Asset Man	312	878	+8
Midlands Elect	385	377	+1
Morrison (Wm.)	407	159	+2
NFC	1,100	[illegible]	+3½
NatWest Bank†	8,800	700	-4
National Grid†	2,700	[illegible]	+½
National Power†	5,400	486	+8
Next	1,100	475	+2
Northern Elect.	501	847	+5
Northern Foods	509	189	-
Pearson†	1,800	692	-5
P & O†	941	529	-6
Pilkington†	1,000	[illegible]	[illegible]
PowerGen†	3,900	[illegible]	+7
Prudential†	5,900	[illegible]	+3
REXAM†	2,500	[illegible]	-2
RMC†	1,200	[illegible]	-7
RTZ†	3,700	[illegible]	+5
Racal	4,500	[illegible]	+3
Rank Org.†	5,300	[illegible]	+15½
Reckitt & Colman†	679	[illegible]	-1
Redland†	1,800	[illegible]	+3
Reed Intl.†	1,800	[illegible]	-1
Rentokil†	8,000	[illegible]	+6½
Reuters†	1,400	[illegible]	+14
Rolls Royce†	8,900	[illegible]	+2½
Ryl Bk Scotland†	4,700	[illegible]	+3
Royal Insurance†	3,500	[illegible]	+3
Sainsbury†	3,400	[illegible]	+1½
Schroders†	168	[illegible]	-3
Scottish & New†	1,800	[illegible]	+3
Scot. Hydro-Elect.	540	[illegible]	[illegible]
Scottish Power†	2,400	[illegible]	+1
Sears	4,700	[illegible]	[illegible]
Sedgwick	4,000	[illegible]	+3
Seeboard	2	[illegible]	[illegible]
Severn Trent†	1,300	[illegible]	-1
Shell Transport†	4,700	[illegible]	+2
Siebe†	558	[illegible]	+5
Slough Ests	1,400	[illegible]	[illegible]
Smith (W.H.)	383	[illegible]	[illegible]
Smith & Nephew†	2,100	[illegible]	+2
SmKl Beecham†	6,300	[illegible]	[illegible]
SmKl Beecham Uts.†	901	[illegible]	-½
Smiths Inds.†	405	[illegible]	[illegible]
Southern Elect†	253	[illegible]	[illegible]
South Wales Elect.	33	[illegible]	[illegible]
South West Water	62	[illegible]	[illegible]
Southern Water	402	[illegible]	[illegible]
Standard Chartd.†	1,000	[illegible]	[illegible]
Storehouse	2,900	[illegible]	[illegible]
Sun Alliance†	5,600	389	+8
T&N	127	161	-1
TI Group†	92	478	[illegible]
Tarmac	554	118	+1½
Tate & Lyle†	1,600	473	[illegible]
Taylor Woodrow	1,900	148	+5½
TeleWest	2	136	[illegible]
Tesco†	5,700	276	-1
Thames Water†	448	[illegible]	[illegible]
Thorn EMI†	1,100	1632	+10
Tomkins†	5,700	272½	[illegible]
Trafalgar House	1,000	37¼	[illegible]
Unigate	925	429	[illegible]
Unilever†	1,900	1213	[illegible]
United Biscuits	905	236	[illegible]
Utd. News & Media	5,700	653	[illegible]
United Utilities†	1,900	586	[illegible]
Vodafone†	6,400	231	[illegible]
WPP	7,500	188	[illegible]
Welsh Water	765	748	[illegible]
Wessex Water	832	330	[illegible]
Whitbread†	1,200	716	[illegible]
Williams Hldgs.†	394	335	[illegible]
Willis Corroon	26	154	[illegible]
Wimpey	1,100	139	[illegible]
Wolseley†	1,300	457	[illegible]
Yorkshire Elect	1,100	736	[illegible]
Yorkshire Water	2,300	635	[illegible]
Zeneca†	4,300	1286	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded. Source: FT Extel.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 22 / Sch)

BELGIUM/LUXEMBOURG (Feb 22 / Frs.)

CZECH REP (Feb 22 / Koruna)

DENMARK (Feb 22 / Kr)

FINLAND (Feb 22 / Mks)

FRANCE (Feb 22 / Frs.)

GERMANY (Feb 22 / Dm.)

GREECE (Feb 22 / Drachma)

ITALY (Feb 22 / Lire)

NETHERLANDS (Feb 22 / Fls.)

NORWAY (Feb 22 / Kroner)

POLAND (Feb 22 / Zloty)

PORTUGAL (Feb 22 / Escudo)

SPAIN (Feb 22 / Pta.)

SWEDEN (Feb 22 / Kronor)

SWITZERLAND (Feb 22 / Frs.)

TURKEY (Feb 16 / TK Lira)

PACIFIC

JAPAN (Feb 22 / Yen)

AUSTRALIA (Feb 22 / Aus$)

HONG KONG (Feb 22 / H.K.$)

INDONESIA (Feb 16 / Rupiah)

MALAYSIA (Feb 16 / MYR)

NEW ZEALAND (Feb 22 / NZ $)

SINGAPORE (Feb 22 / S$)

SOUTH KOREA (Feb 22 / Won)

TAIWAN (Feb 15 / TW $)

THAILAND (Feb 22 / Baht)

AFRICA

SOUTH AFRICA (Feb 22 / Rand)

NORTH AMERICA

CANADA

TORONTO (Feb 22 / Can $)

4 pm close

MONTREAL (Feb 22 / Can $)

4 pm close

INDICES

	Feb 22	Feb 21	Feb 20	1995/96 High		1995/96 Low	
Argentina							
General(29/12/77)	(u)	16705.65	16605.81	18181.66	31/1/96	9831.09	9/3/95
Australia							
All Ordinaries(1/1/80)	2254.1	2238.2	2245.5	2300.80	14/2/96	1823.30	8/3/95
All Mining(1/1/80)	1026.2	1015.1	1020.6	1058.60	2/2/96	795.30	8/2/95
Austria							
Credit Aktien(30/12/84)	374.48	371.73	370.32	395.42	2/1/95	328.58	27/10/95
Traded Index(2/1/91)	1055.72	1045.97	1037.68	1094.98	7/2/96	882.15	23/10/95
Belgium							
BEL20(1/1/91)	1641.95	1611.05	1597.22	1715.74	1/2/96	1271.53	9/3/95
Brazil							
Bovespa(29/12/83)	(u)	(c)	(c)	54199.00	2/2/96	21382.00	9/3/95
Canada							
Metals Minls♦(1975)	(u)	5184.66†	5145.51	5378.39	8/2/96	3808.63	1/3/95
Composite♦(1975)	(d)	4961.10	4963.80	5059.89	14/2/96	3991.41	30/1/95
Portfolio§§(4/1/83)	(u)	2415.44	2408.52	2489.57	8/2/96	1953.36	30/1/95
Chile							
IGPA Gen♥(31/12/80)	(u)	5630.51	5557.63	6383.10	11/7/95	4578.90	9/3/95
Denmark							
CopenhagenSE(3/1/83)	383.71	380.30	380.12	391.35	13/2/96	330.01	29/3/95
Finland							
HEX General(28/12/90)	1822.13	1782.58	1767.96	2332.22	14/9/95	1555.30	29/3/95
France							
SBF 250(31/12/90)	1320.69	1310.48	1308.78	1338.17	1/2/96	1154.41	13/3/95
CAC 40(31/12/87)	1953.26	1936.90	1932.36	2024.69	1/2/96	1721.14	23/10/95
Germany							
FAZ Aktien(31/12/58)	862.57	849.39	854.14	882.59	1/2/96	708.87	30/3/95
Commerzbank(1/12/53)	2504.1	2484.2	2479.4	2589.90	31/1/96	2018.70	30/3/95
DAX‡(30/12/87)	2412.0	2391.12	2382.61	2470.14	31/1/96	1910.96	28/3/95
Greece							
Athens SE(31/12/80)	975.31	974.25	983.87	996.30	22/1/96	787.15	16/3/95
Hong Kong							
Hang Seng(31/7/64)	11338.45	(c)	(c)	11594.99	16/2/96	6967.93	23/1/95
India							
BSE Sens.(1979)	3500.48	(c)	3453.80	3932.89	2/1/95	2828.66	25/1/96
Indonesia							
Jakarta Comp.(10/8/82)	(c)	(c)	(c)	595.82	16/2/96	414.21	19/4/95
Ireland							
ISEQ Overall(4/1/88)	2308.44	2283.67	2300.53	2338.20	16/2/96	1813.59	23/1/95
Italy							
Banca Comm Ital(1972)	594.48	589.29	584.27	680.54	10/2/95	547.79	5/12/95
MIB General(2/1/96)	1008.0	993.0	991.0	1082.00	9/2/96	982.06	15/1/96
Japan							
Nikkei 225(16/5/49)	20340.94	20372.23	20655.67	21118.30	8/2/96	14485.48	3/7/95
Nikkei 300(1/10/82)	293.95	294.15	297.55	307.98	5/1/96	222.28	13/6/95
Japan							
Topix(4/1/68)	1572.46	1572.71	1589.91	1632.83	5/1/96	1193.16	13/6/95
2nd Section(4/1/68)	2051.71	2054.33	2066.59	2130.66	4/1/95	1441.90	13/6/95
Malaysia							
KLSE Comp.(4/4/86)	(c)	(c)	(c)	1090.05	16/2/96	840.87	24/1/95
Mexico							
IPC(Nov 1978)	(u)	2907.83	2904.41	3181.92	2/2/96	1447.52	27/2/95
Netherland							
CBS TtlRtnGen(End 83)	558.5	554.7	551.5	567.50	14/2/96	422.80	23/3/95
CBS All Shr(End 83)	338.1	335.9	334.0	343.86	14/2/96	285.20	23/3/95
New Zealand							
Cap. 40(1/7/86)	2099.34	2082.51	2091.03	2206.82	20/10/95	1901.43	5/1/95
Norway							
Oslo SE(Ind)(2/1/83)	1311.42	1292.79	1275.66	1318.20	8/1/96	1036.08	10/3/95
Philippines							
Manila Comp(2/1/85)	2952.91	2936.65	2923.71	2958.12	10/7/95	2198.48	20/11/95
Portugal							
BTA(1977)	2599.7	2608.3	(c)	2911.80	9/1/95	2412.80	22/11/95
Singapore							
SES All-S'pore(2/4/75)	600.55	(c)	(c)	610.37	5/2/96	472.88	23/1/95
South Africa							
JSE Gold(28/9/78)	1779.0♥	1702.0	1782.7	2023.80	2/1/95	1260.20	30/10/95
JSE Ind.(28/9/78)	8386.0♥	8312.7	8392.7	8738.30	25/1/96	6222.09	31/1/95
South Korea							
KoreaCompEx''(4/1/80)	881.60	883.23†	(c)	1027.37	2/1/95	842.72	20/1/96
Spain							
Madrid SE(30/12/85)	340.78	338.67	334.47	340.78	22/2/96	284.98	23/3/95
Sweden							
AffarsvarldsGen(1/2/37)	1842.4	1803.6	1780.8	1872.10	19/9/95	1439.80	29/3/95
Switzerland							
Swiss Bk Ind(31/12/58)	1581.45	1546.94	1545.21	1578.89	4/1/96	1174.83	13/3/95
SBC General(1/4/87)	1133.78	1129.56	1130.40	1165.59	4/1/96	870.58	13/3/95
Taiwan							
WeightedPr.''(30/6/66)	(c)	(c)	(c)	7081.49	5/1/95	4503.37	14/8/95
Thailand							
Bangkok SET(30/4/75)	1381.42	1379.38	1384.96	1472.04	10/7/95	1135.89	18/3/95
Turkey							
Istanbul Comp.(Jan 1986)	(c)	(c)	(c)	54853.90	21/4/95	24844.38	23/1/95
WORLD							
MS Capital Intl$(1/1/70)	756.8*	752.9	748.9	769.10	12/2/96	598.21	23/1/95
CROSS-BORDER							
Eurotrack 100(26/10/90)	1538.56	1521.59	1510.94	1579.74	1/2/96	1222.41	13/3/95
Euro Top-100(26/6/90)	1387.61	1378.14	1370.55	1418.12	2/2/96	1117.34	9/3/95
JCapelDrgns(31/12/88)	(u)	382.05	382.18	382.82	19/2/96	282.07	23/1/95
ING Bngs Emrg(7/1/92)	158.91	155.88	157.02	162.72	5/2/96	117.15	10/3/95

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40 (200 x index)							
Feb	1952.0	1962.5	+16.5	1969.0	1948.0	20,794	29,805
Mar	1961.5	1970.0	+16.5	1977.5	1957.0	5,454	28,657
■ DAX							
Mar	2365.0	2403.0	+28.0	2407.0	2362.0	30,681	-
Jun	2378.5	2415.0	+31.0	2418.0	2375.5	1,871	-
■ OMX							
Feb	1385.00	1416.00	+29.00	1419.00	1385.00	7,791	15,626
Mar	1396.00	1425.00	+29.00	1427.00	1392.00	3,818	13,678
■ SOFFEX							
Jan	3240.0	3260.0	+12.0	3262.0	3238.0	5,220	16,534
Feb	3250.0	3253.0	-3.0	3252.0	3250.0	3	2,098
■ S&P 500							
Mar	651.05	655.90	+4.20	655.90	651.05	94,157	188,608
Jun	659.25	661.70	+4.05	661.75	659.25	3,320	25,677
■ Nikkei 225							
Mar	20460.0	20410.0	+40.0	20470.0	20370.0	20,420	142,881
Jun	20450.0	20420.0	+60.0	20490.0	20370.0	13,718	67,530

Open interest figures for previous day.

'' Sat Feb 17: Taiwan Weighted Price (c); Korea Comp Ex 889.34. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall: Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 25 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Feb 22 - 2421.93 +20.34.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Indl. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

US INDICES

Dow Jones	Feb 21	Feb 20	Feb 16	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Industrials	5315.97	5458.53	5503.32	5601.23 (13/2/96)	3832.08 (30/1/95)	5601.23 (13/2/96)	41.22 (2/7/32)
Home Bonds	105.33	105.33	106.02	106.09 (14/2/96)	93.63 (3/1/95)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2067.57	2027.85	2034.83	2082.11 (5/12/95)	1473.19 (3/1/95)	2082.11 (5/12/95)	12.32 (8/7/32)
Utilities	226.24	225.75	229.74	234.09 (12/2/96)	183.03 (3/1/95)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5548.12 (5515.97) Low 5440.82 (5393.50) (Theoretical♠)
Day's high 5520.67 (5502.24) Low 5457.06 (5433.60) (Actual♠)

Standard and Poors	Feb 21	Feb 20	Feb 16	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Composite‡	648.10	640.65	647.98	661.45 (12/2/96)	459.11 (3/1/95)	661.45 (12/2/96)	4.40 (1/6/32)
Industrials♥	763.15	754.52	761.34	775.19 (12/2/96)	546.28 (3/1/95)	775.19 (12/2/96)	3.62 (21/6/32)
Financial	65.97	65.15	66.37	67.43 (13/2/96)	41.64 (3/1/95)	67.43 (13/2/96)	8.64 (1/10/74)
NYSE Comp.	345.66	342.27	346.19	351.70 (12/2/96)	250.73 (3/1/95)	351.70 (12/2/96)	4.46 (25/4/42)
Amex Mkt Val	565.10	558.52	561.84	565.10 (21/2/96)	433.12 (6/1/95)	565.10 (21/2/96)	29.31 (9/12/72)
NASDAQ Comp	1096.85	1083.24	1090.71	1096.85 (21/2/96)	743.58 (3/1/95)	1096.85 (21/2/96)	54.87 (31/10/72)

■ RATIOS

	Feb 16	Feb 9	Feb 2	Year ago
Dow Jones Ind. Div. Yield	2.16	2.13	2.19	2.72
	Feb 21	Feb 14	Feb 7	Year ago
S & P Ind. Div. yield	1.88	1.87	1.88	2.36
S & P Ind. P/E ratio	19.90	20.07	19.86	19.57

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Hanson	7,837,200	14⅞	+⅛
CUC Intl	6,200,400	31⅞	+¾
Merck	4,445,800	66¾	+¾
Fed Nat Mtg	4,441,000	32⅝	-¼
IBM	4,095,900	120¼	+1⅛
Citicorp	4,017,700	77	+3⅛
WalMart	3,789,900	21¾	+⅞
Intl Game Tch	3,594,500	15	+1⅝
Gen Motors	3,389,200	50⅝	-¼
Chemical Bnk	3,083,500	69¼	+2½

■ TRADING ACTIVITY

● Volume (million)	Feb 21	Feb 20	Feb 16
New York SE	430.230	385.021	435.52
Amex	24.767	23.333	23.80
NASDAQ	496.807	492.986	473.717
NYSE			
Issues Traded	3,099	3,101	3,101
Rises	1,503	516	1,070
Falls	795	1,969	1,247
Unchanged	801	616	784
New Highs	98	66	115
New Lows	10	21	18

■ TOKYO - MOST ACTIVE STOCKS: Thursday, February 22, 1996

	Stocks Traded	Closing Prices	Change on day
Nippon Steel Cp	5.4m	347	
Keisei Elect Ry	5.2m	971	+1
Sumitomo Mtl Ind	3.4m	308	-1
Toshiba Corp	3.2m	811	+4
Toyo Radiator	3.2m	721	+44
NKK Corp	2.9m	291	+5
Nippon Kasei Ch	2.8m	459	+29
Mitsubishi Hvy	2.7m	850	+1
Sanyo Electric	2.6m	611	+5
Mitsui Co	2.5m	938	+5

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1995. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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4 pm close February 22

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995/96 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
22⅛	12⅛	AAR	0.48	2.4	24	621	20⅛	20	20	-¼
46¼	35	AMP	1.00	2.3	22	5106	44¼	43⅛	44¼	+1¼
88¼	53⅜	AMR			35	12400	u88¼	85⅝	87⅜	+2¼
50½	36⅜	ASA x	2.00	4.4	29	1378	46⅜	45	45¼	-1
44¾	30¾	AbbtL	0.96	2.3	18	17724	41⅞	41⅜	41¾	+½
18⅞	12	Abitibi Pr	0.40	2.5	8	1694	16⅜	16	16⅛	-⅛
28⅞	21	ABM Ind	0.70	2.4	15	40	u28⅞	28⅜	28⅞	+⅜
17½	13⅛	Acclaim			10	3947	15¼	14⅞	15	+⅛
50⅛	21⅞	ACE Ltd	0.56	1.2	11	2340	48⅛	46⅞	47¼	+¼
9⅞	8⅛	ACM Gvt In	0.90	9.2	8	715	u9⅞	9⅝	9¾	
7⅞	6½	ACM GvOpp	0.66	8.5		136	7¾	7⅝	7¾	
7½	5¾	ACM Gvt Sp	0.75	10.5		555	7⅛	7	7⅛	+⅛
9⅛	7¼	ACM Gvt Se	0.90	10.0		2119	9	8⅞	9	+⅛
9½	7⅝	ACM Man	0.90	9.7		185	9¼	9⅛	9¼	+⅛
29¼	10¼	AcmeClv	0.52	2.7	4	1194	19	18⅜	19	+½
38¼	6⅞	Acme Elect			61	32	7½	7⅜	7⅜	
34½	23¾	Acordia	0.72	2.5	15	3611	28½	28¼	28¼	
16¾	10⅛	Acuson			44	230	14½	14⅜	14⅜	
19⅝	15⅝	Adams Expr x	0.36	1.9	0	307	19⅜	19¼	19⅜	
38⅞	16⅛	AdvMic			7	9514	20¾	19⅞	20⅝	+¾
10¼	5	Advest Grp	0.16	1.7	9	55	9⅝	9½	9⅝	+⅛
27½	16½	Advo Inc	0.10	0.5	22	696	21⅞	21½	21¾	
46¾	24.80	Aegon	1.28	2.9	16	153	44	43⅛	44	+1
5⅞	3⅜	Aeroflx			8	268	4¾	4⅝	4¾	+¼
76¾	46¾	AetnaL	2.76	3.8	34	5927	72½	71½	72	-¾
49½	31⅞	Aflac x	0.52	1.1	14	1263	48⅞	47½	48⅝	+1⅜
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4 pm close February 22

NYSE COMPOSITE PRICES

12 Month High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
18¼	9	SFeG6	0.05	0.3	51	5798	16	15½	15½	-⅜
38⅝	30½	SFePPipe	3.00	7.8	18	82	u38⅝	38⅜	38½	+⅛
35½	24¼	SaraLee	0.76	2.3	19	10807	33½	32⅞	33¼	+⅛
60¼	39⅝	SBC Cm	1.65	2.9	18	7270	57¼	56⅛	57	+1½
28⅝	20½	Scana Corp	1.47	5.3	16	1567	27⅝	27⅜	27½	-⅛
11⅛	5⅞	SchawkA	0.28	3.0	29	38	8¾	8⅝	8⅝	+⅛
50¼	37¼	ScheringP			22	1690	44½	42	44¼	+2¼
60¾	35½	SchrPl	1.16	2.0	23	16388	58½	56⅞	57½	+⅞
76	50⅛	Schlmb	1.50	2.0	28	5229	75⅜	74¼	75⅛	+⅛
29	11¼	SchwabC	0.16	0.6	25	4352	25	24	24⅞	+⅞
27½	20⅜	SchwMaud				2608	u27½	26⅛	27⅛	+1¼
24⅝	11⅜	SciAtl	0.06	0.3	39	2081	17⅜	16¾	17¼	+⅝
20	15⅛	Scotman	0.10	0.6	10	178	17½	17¼	17⅜	
43½	28⅞	Scripps x	0.52	1.2	25	200	42⅝	41⅞	42⅝	+⅞
21½	13⅜	ScuddrNAsF	0.02	0.1		336	17¼	17	17⅛	-⅛
11⅞	8⅝	ScuddrNEuF	0.16	1.4		1433	11⅝	11¼	11¼	-¼
20	13⅜	SeaCnB	0.70	4.2	1	18	16¾	16½	16¾	+⅛
16¾	14⅝	SeaCT 4825	1.48	9.3		8	15¾	15⅝	15¾	+⅛
67	23⅝	S'gate			12	14353	u67	65⅛	65	+1⅛
39½	25⅝	Seagrm	0.60	1.6	25	7733	36⅝	34⅞	36⅝	+1⅝
22½	15¾	Seagull En			104	1135	20⅞	20¼	20⅝	-⅜
32⅝	18	Sealed Air			24	3884	31	29¾	30½	+½
46⅞	30⅜	SearsR	0.92	2.0	12	18319	45⅝	43⅞	45⅜	+2
21⅞	18⅜	SecCapStB	1.24	5.7	25	380	21¾	21½	21⅝	+⅛
13	10⅜	Seligm Sel x	0.84	6.6		91	12¾	12⅝	12¾	+⅛
38¼	13⅝	Sensormat	0.22	1.0	62	18958	23	21¼	23	+1⅞

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Price data supplied by Telekurs

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AMEX COMPOSITE PRICES

4 pm close February 22

NASDAQ NATIONAL MARKET

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AMERICA

US markets make strong midday gain

Wall Street

Fears that the equity market was undergoing a slow correction were ameliorated yesterday as US shares made strong gains for the second consecutive session, *writes Lisa Bransten in New York.*

For a second time in as many days the Dow Jones Industrial Average advanced by more than 50 points in morning trading, thereby triggering collars that restrict computerised buying.

At 1 pm the Dow was 40.10 stronger at 5,556.07, the Standard & Poor's 500 rose 5.48 to 655.58 and the American Stock Exchange composite was 3.76 higher at 568.86. NYSE volume came to 268m shares.

Bonds, which had led shares sharply lower on Tuesday, offered more support to equities as they posted modest gains after the Labor Department reported a rise in the number of first time applicants for unemployment benefits.

The Nasdaq composite was on track to close above the 1,100-point barrier for the first time because of strength in both the computer driven technology companies and biotech groups. In early afternoon trading the Nasdaq was ahead 14.24 at 1,111.09.

Internet-related companies in the American Stock Exchange internet index added 2.9 per cent amid gains by components such as Sun Microsystems, up $2⅞ to $51, and Netscape, $1⅝ stronger at $65¼. Netscape completed a stock split earlier this month.

Semiconductor companies and computer makers were also stronger.

Intel added $1½ at $60⅝. Micron Technology was up $1 at $38¼ and Texas Instruments climbed $2¾ to $53½.

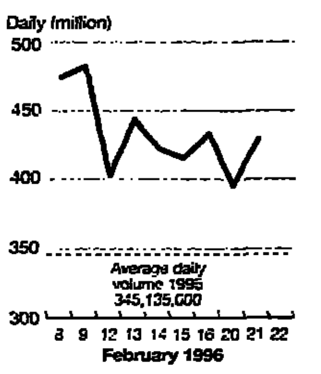
On the computer side, Dell Computers rose $⅞ to $36⅝, IBM jumped $4⅞ to $124⅝ and Hewlett-Packard advanced $2¼ to $100⅞.

Biotech companies received a boost from news that a US Food and Drug Administration panel had set a date to consider the approval of Seprafilm from Genzyme. Genzyme shares added $4¼ or 6 per cent at $75, and Chiron moved up $2⅞ to $111½.

Vertex Pharmaceuticals appreciated $1¼ or 6 per cent to $28 after announcing that its fourth-quarter loss was less than most analysts had expected. The company reported a deficit of 5 cents a share, 4 cents a share less than the analytical consensus.

American International Group rose $1⅞ or 2 per cent to $97⅞ after the insurance company posted fourth-quarter operating earnings of $1.40 per share, 5 cents a share ahead of the mean analysts' forecast.

NYSE volume



Canada

Toronto was in delicate balance at noon, falling golds countered by the rally in New York. The TSE 300 composite index was standing just 1.90 higher at 4,963.03, with the gold shares index down 92.39 at 12,425.13.

Midsession volume inched up from 38.47m shares to 39.32m. Among early actives, Petrostar Petroleums rose 4 cents to C$1.38 and Strike Energy by 15 cents to C$3, but Memotec Communications dropped C$2¼ to C$8⅞ in moderate trading on a fourth quarter decline from profit to loss.

Mexico in slight rise

The gain on Wall Street provided the impetus for a rise in MEXICO CITY, and by midsession the IPC index was ahead 21.88 at 2,929.71.

Analysts said that, nevertheless, the market remained worried by the forthcoming corporate results season, which commences on March 5; while economists did not expect domestic interest rates to decline much further in the short term.

BUENOS AIRES suffered a slight correction during the early afternoon and the Merval index was 0.96 softer at 522.52.

Traders said the market had not reacted to a senate vote on Wednesday night which gave President Carlos Menem powers to streamline the public administration system.

SAO PAULO returned from the three-day Carnival holiday with little enthusiasm.

By midsession the Bovespa index was standing 90.61 points higher at 51,830.

South Africa finds strength

Equities reversed Wednesday's sharp losses as investors turned positive once again and the rand found stability against the dollar in the currency markets. On Wednesday the rand slipped below the R4 level for the first time against the US currency.

Gold shares were lifted by a stronger bullion price and industrials rose on follow-through buying after Wall Street's buoyant showing overnight.

Although there was still nervousness about the recovery of the rand and bond markets, domestic investors were seen returning yesterday in greater numbers.

The overall index made 104.3 to 6,753.6, industrials rose 74.1 to 8,386.8 and the golds index climbed 77.6 to 1,779.6.

Among individual features, De Beers advanced R5.25 to R124.25, Anglos R11 to R263 and Vaal Reefs R16 to R386.

Elsewhere, Dries moved forward R3.25 to R58, Freegold added R2.50 at R37.50 and Kloof put on R2.25 at R52.75.

EUROPE

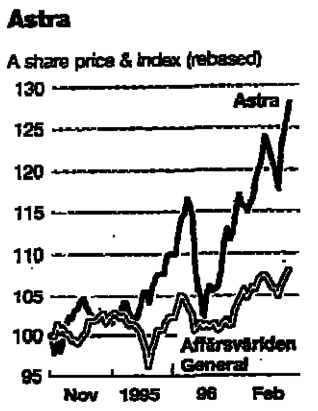
Stockholm up 2.2%, contrasts in pharma stocks

The Riksbank's decision to cut key repo, deposit and lending rates gave STOCKHOLM a domestic lift, but the banking index only rose by 1.2 per cent as the Affärsvärlden General climbed 38.8 or 2.15 per cent to 1,842.4.

Turnover was described as huge, at SKr6.5bn: Astra A climbed SKr11.50 to SKr307.50 for a two-day gain of 8.5 per cent on good results and a planned US listing, but its fellow drugs company Pharmacia & Upjohn receded SKr4 to SKr287.50 on results slightly below market expectations.

Meanwhile, a 17 per cent drop in profits at Hennes & Mauritz, the retailer, left the shares SKr56 or 13.9 per cent higher at SKr453. Expectations had been much worse.

Astra



Source: FT Extel

FRANKFURT saw the resurgent US equity market more than outweigh uninspiring performances by bunds and the dollar, and celebrated with the Dax index up 20.34 at an Ibis-indicated 2,421.93.

Imminent German M3 figures kept turnover relatively quiet, down from DM8bn to DM7.6bn. However, there was more action on fundamentals. Siemens sustained its profits growth forecast of 20 to 25 per cent this year, no small thing after the depreciation of customer currencies: it also revealed that orders were up 5 per cent after five months following a flat position at the end of the first quarter.

The shares, weakened by foreign selling ahead of the dividend payment, went ex the dividend and rose a net DM15.50 or nearly 2 per cent to DM818.

In contrast, on-target Mannesmann results indicated a drop in fourth-quarter earnings intake; Mannesmann shed DM2.35 to DM500.50.

The serious fall of the day was in Deutsche Babcock, off DM13.50 or 12.1 per cent at DM98 after a low of DM90, on foreign selling after last week's disastrous analysts' meeting.

The big gain, once more, was in Puma, where the profit, due to be converted into ordinary, soared another DM73 or 16.7 per cent to DM509.

AMSTERDAM built on Wednesday's strong rally and the AEX index closed 3.56 up at 507.50. Unilever lost Fl 1.70 to Fl 223.40 as Paribas recommended a switch into Danone, of France.

The broker said that, over the past year, Unilever's shares had outperformed Danone's by 14 per cent and, due to expectations that the Dutch company's restructuring measures would start to pay off in the near future.

However, Paribas suggested that Danone's more aggressive restructuring plans in its European operations would build market share and lead to greater overall business growth: "We believe this latter benefit from the restructuring plans is not yet reflected in the share valuation."

Nedlloyd, the shipping and transport group, moved ahead Fl 1.90 to Fl 36.70 in speculative buying, after reports that it was a takeover target. Most dealers dismissed the report as a story that recurred at intervals.

DSM stayed in demand after Wednesday's announcement that the state was to convert its 20 per cent stake into preference shares. The chemical company appreciated Fl 3.40 to finish at Fl 156.40.

FT-SE Actuaries Share Indices

Feb 22								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1533.33	1532.66	1535.77	1536.06	1535.28	1535.72	1537.14	1536.56
FT-SE Eurotrack 200	1641.63	1639.50	1643.29	1643.13	1644.21	1644.20	1645.34	1645.12

	Feb 21	Feb 20	Feb 19	Feb 16	Feb 15
FT-SE Eurotrack 100	1521.59	1510.94	1520.51	1538.16	1537.62
FT-SE Eurotrack 200	1630.05	1623.43	1639.28	1656.88	1655.35

Base value 1000 (26/10/90) High/day: 100 - 1537.76; 200 - 1646.53 Low/day: 100 - 1532.85 200 - 1639.38

Fokker sank 95 cents or 35 per cent to Fl 1.75 after a warning that bankruptcy of the regional aircraft manufacturer now looked inevitable.

PARIS enjoyed another lively day, with the CAC-40 index advancing 16.36 to 1,953.26 in turnover of FFr4.4bn.

Defence shares remained in the picture on government plans to shake up the industry. Thomson-CSF put on FFr3.30 at FFr122.40, while Alcatel Alsthom, rumoured to be a possible buyer for Thomson SA, eased FFr2.60 to FFr437, and the Lagardère Groupe, another possible purchaser, made 50 centimes to FFr127.

Dassault Aviation, to be merged with Aérospatiale, rose FFr23 to FFr475.

MILAN was supported by firmness in the currency and bond markets. The Comit index added 5.19 at 594.48, and the Mibtel rose 8 to 9,440.

Fiat retreated L96 to L5,030 as the company said that Mr Giorgio Garuzzo, the chief operating officer, was leaving at the end of the month.

Credito Italiano said the news did not come as a surprise: "There appears to be a high degree of continuity in the succession process, and it is clear that Fiat's process of recovery is well under way in Europe and its expansion plans abroad are at an advanced stage." The broker continued that the group's recovery and future direction now looked quite transparent and the management team remained strong. On Tuesday, Fiat announced that Mr Cesare Romiti, the managing director, would succeed Mr Giovanni Agnelli as chairman on February 28.

COPENHAGEN fielded bumper results from Den Danske Bank, which rebounded DKr12 to DKr385, down from a high of DKr393, following weakness on media criticism earlier this week. The KFX index firmed 1.19 to 110.62.

HELSINKI offered hostages to fortune, with Nokia A up another FM7.50 at FM171.50 ahead of next week's progress report. The forestry sector gained 2.8 per cent before the Finnish Finance Ministry forecast export price falls of about 25 per cent for pulp and about 10 per cent for paper this year. The Hex index gained 30.55 or 2.2 per cent at 1,922.13.

TEL AVIV rose 2.4 per cent in active trading as Nice Systems, a high-technology telecommunications equipment manufacturer, soared 10 per cent following buy recommendations by two US based investment houses, *writes Julian Ozanne in Jerusalem.*

The Mishtanim index put on 4.70 at 208.43 in turnover of Shk100m, after Wednesday's Shk72m. Nice Systems rose Shk3.4 to Shk36.9, which came after its ADRs, traded on the Nasdaq in New York, rose 11 per cent in overnight dealings.

BUDAPEST regained confidence as speculation rose that the new finance minister would be Mr Zsigmond Jarai, seen as a steadying influence.

The BUX index rose 38.95 to 2,041.00, turnover climbing to Ft623.2m from Ft277.8m.

Written and edited by William Cochrane and John Pitt

ASIA PACIFIC

Nikkei registers longest losing streak since mid-1995

Tokyo

Concerns about a possible rise in long-term interest rates and the continuing weakness of the dollar against the yen depressed share prices for the sixth consecutive trading day, *writes Gwen Robinson in Tokyo.*

The Nikkei 225 average, registering its longest losing streak since the market began to recover in July 1995, shed 31.29 to 20,340.94 after moving narrowly between 20,310.74 and 20,436.62.

Investors were discouraged by the failure of the dollar to rise significantly against the yen by mid-afternoon, in spite of reports of intervention by the Bank of Japan.

Further worries about a possible rise in long-term interest rates at home and abroad added to market concern, and kept many participants on the sidelines to watch interest rate movements and currencies.

Volume dropped to an estimated 314m shares from Wednesday's 335m. The Topix index of all first section stocks closed 0.25 lower at 1,572.46, and the capital-weighted Nikkei 300 eased 0.20 to 293.95. Losers led winners by 536 to 458, with 209 issues unchanged.

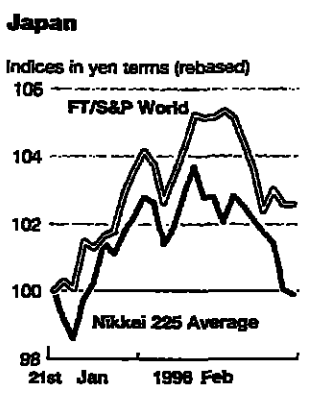
In London the ISE/Nikkei 50 index firmed 0.97 to 1,376.13.

Bargain hunting among domestic financial institutions generated moderate buying interest in electrical machinery, shipbuilders and other major issues. However, domestic institutions on the whole remained cautious about buying shares at high levels and many stayed on the sell side.

Foreign investors, meanwhile, continued their retreat from the market. Brokers said foreign institutions were more worried than many domestic investors realised about Japan's immediate economic outlook, particularly concerning the government's bailout plans for troubled housing loan companies.

Technology shares continued mixed. Pioneer rebounded a further Y100 to Y2,130 after rising Y40 on Wednesday. The gains recouped Pioneer's Y140 drop on Tuesday, when it announced a revised forecast for a much larger loss than expected for the current business year. Sony dipped Y60 to Y6,280, after rallying briefly on Wednesday following a two-day slide.

Japan



Source: FT Extel

Casio Computer fell Y43 to Y997 following its announcement on Wednesday that consolidated net profits in the current year ending March 31 were likely to drop by 90 per cent.

Speculative stocks fared well, led by Kanematsu Nissan Norin, a machinery maker and supplier of housing material, which gained Y230 at Y2,800.

In Osaka, the OSE average declined 69.93 to 21,778.31 in volume of 81.26m shares.

Roundup

Taiwan, markets on the Chinese mainland, and Karachi, Kuala Lumpur and Jakarta remained on holiday.

HONG KONG returned to encounter both technical selling and profit-taking. The Hang Seng index declined 256.54 or 2.2 per cent to 11,338.45. Turnover fell to HK$5.3bn from last Friday's HK$6.1bn, as many dealers stayed away.

Some traders worried that a fall in the opening session of the lunar new year could be interpreted bearishly by some investors, but others observed that profit-taking was very much the order of the day following the market's 24-month closing high last Friday.

The most active stock was HSBC Holdings, which fell HK$1.50 or 1.2 per cent to HK$126.50, while its subsidiary, Hang Seng Bank, lost HK$1 or 1.3 per cent at HK$74. Both companies were due to release 1995 results on Monday.

The property index dived 539.03 or 2.5 per cent to 21,067.44, Cheung Kong losing HK$2.25 or 4 per cent to HK$49.50 and Sun Hung Kai Properties off HK$1 or 1.4 per cent at HK$72.

The Hang Seng China Enterprises Index, which tracks China H shares, slipped 10.25 or 1.1 per cent to 933.91.

BOMBAY came back to widespread foreign funds buying, and the BSE 30 index finished 46.68 or 1.3 per cent higher at 3,500.48.

Analysts said fund managers were buying cheap blue chips in emerging markets to balance the risk in their highly priced US stocks, and that the near 15 per cent depreciation of the rupee since last August had also made Indian stocks more attractive in dollar terms.

However, the main corporate features were losers, Philips India shares falling Rs8 to Rs152 on a 46 per cent drop in net profits, partly due to the depreciating rupee.

SYDNEY was pulled higher on bargain hunting which brought the All Ordinaries index up 15.9 to 2,254.1, while support was also seen from an improvement in base metal prices. Volume was 258.6m shares worth A$574.9m.

Among the banks, Westpac rose 17 cents to A$6.01, ANZ 12 cents to A$6.25 and National Australia Bank 4 cents to A$12.14. St George, however, dropped 37 cents to A$8.32 following recent sharp gains as NAB, which confirmed that it had acquired a 5.6 per cent strategic stake, ruled out making a full takeover bid for the New South Wales-based regional in the short term.

SEOUL backtracked, with interest from overseas investors directed at second-line stocks. The weighted index lost 1.63 to 881.60 and volume was light at 22m shares.

Samsung Electronics rose Won2,000 to Won140,000 on a 31-for-100 scrip issue.

BANGKOK was upset by rumours that some foreign investors were starting to liquidate positions. The SET index finished down 17.96 or 1.3 per cent at 1,361.42 in turnover of Bt6.3bn, compared to Wednesday's Bt3.5bn.

The banking index tumbled 1.6 per cent, with Krung Thai Bank off Bt4 at Bt135.

SINGAPORE found it difficult to attract investors, particularly in the absence of Kuala Lumpur, still on holiday. The Straits Times Industrial index edged up 0.93 to 2,454.81.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS	WEDNESDAY FEBRUARY 21 1996								TUESDAY FEBRUARY 20 1996					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (81)	192.33	−1.0	184.63	127.83	145.11	170.44	−0.4	3.92	194.27	186.49	130.30	146.78	171.08	200.32	158.79	160.25
Austria (26)	185.17	0.7	177.76	123.08	139.71	139.59	0.6	1.55	183.82	176.47	123.30	138.89	138.75	199.28	168.11	179.18
Belgium (34)	205.55	0.7	197.32	136.62	155.09	151.36	0.6	3.48	204.03	195.86	136.85	154.16	150.44	215.81	172.73	172.73
Brazil (26)	161.76	0.2	155.29	107.52	122.05	292.54	0.0	1.58	161.47	155.00	108.30	122.00	292.54	170.25	86.05	113.80
Canada (101)	153.95	−0.2	147.79	102.33	116.16	153.94	−0.2	2.44	154.28	148.11	103.48	116.57	154.20	158.71	125.64	126.63
Denmark (33)	299.00	1.1	287.03	198.73	225.60	228.26	0.9	1.55	295.69	283.85	198.33	223.41	226.19	304.88	252.41	260.40
Finland (24)	181.65	1.6	174.38	120.74	137.06	171.93	0.9	1.86	178.84	171.68	119.95	135.12	170.42	276.11	171.13	182.11
France (98)	184.59	0.2	177.20	122.69	139.28	144.83	0.1	3.15	184.14	176.76	123.51	139.12	144.65	191.17	161.53	163.76
Germany (60)	169.78	0.3	162.99	112.85	128.10	128.10	0.1	1.88	169.32	162.54	113.57	127.93	127.93	171.60	142.25	148.44
Hong Kong (58)	451.18	−0.0	433.11	299.88	340.42	447.97	0.0	3.16	451.19	433.13	302.63	340.90	447.96	451.19	321.37	327.86
Ireland (16)	254.35	−1.1	244.17	169.06	191.91	225.35	−1.1	3.51	257.20	246.90	172.51	194.33	227.85	262.70	205.44	213.66
Italy (59)	73.18	1.7	70.25	48.64	55.22	85.98	0.8	1.74	71.97	69.09	48.28	54.38	85.27	82.71	65.45	76.89
Japan (482)	150.88	−0.2	144.84	100.28	113.84	100.28	−1.1	0.76	151.22	145.17	101.43	114.25	101.43	164.82	136.95	144.42
Malaysia (107)	525.72	−0.1	504.68	349.43	396.66	516.67	0.0	1.62	526.30	505.23	353.01	397.64	516.67	561.96	425.77	466.01
Mexico (18)	1116.24	1.0	1071.56	741.93	842.22	9196.05	0.5	1.51	1104.99	1060.76	741.15	834.88	9154.68	1237.14	647.81	947.35
Netherland (19)	278.35	0.7	267.21	185.01	210.02	206.55	0.6	3.24	276.52	265.45	185.47	208.92	205.41	283.23	225.09	225.97
New Zealand (14)	79.11	−0.6	75.94	52.58	59.69	62.11	−0.3	4.67	79.54	76.36	53.35	60.10	62.32	85.49	72.39	73.20
Norway (33)	238.87	1.7	229.31	158.77	180.23	205.85	1.6	2.23	234.84	225.44	157.51	177.48	202.71	243.79	202.76	209.10
Singapore (44)	458.66	0.0	440.30	304.86	346.06	296.33	0.0	1.38	458.82	440.46	307.75	346.68	296.33	465.21	342.37	348.40
South Africa (45)	376.65	−3.5	361.57	250.34	284.18	326.41	−1.2	3.66	390.25	374.63	261.76	294.85	330.31	437.76	303.31	305.69
Spain (37)	174.04	1.8	167.07	115.68	131.31	161.27	1.6	3.72	171.02	164.17	114.71	129.21	158.81	174.04	124.10	132.59
Sweden (47)	321.45	2.7	308.59	213.66	242.54	322.40	1.5	2.19	313.05	300.52	209.97	236.53	317.50	324.31	232.23	245.06
Switzerland (38)	226.68	−0.1	217.60	150.66	171.03	166.46	0.0	1.61	226.93	217.84	152.21	171.46	166.53	239.55	171.18	171.18
Thailand (46)	188.57	0.0	181.02	125.34	142.28	184.54	0.0	2.03	188.56	181.01	126.47	142.47	184.49	193.95	130.15	146.88
United Kingdom (205)	232.29	0.3	222.99	154.40	175.27	222.99	0.3	4.04	231.66	222.39	155.38	175.03	222.39	235.50	192.74	193.92
USA (631)	264.41	1.1	253.83	175.74	199.50	264.41	1.1	2.18	261.46	250.99	175.37	197.54	261.46	269.11	197.20	197.66
Americas (778)	241.13	1.1	231.48	160.27	181.94	202.75	1.1	2.18	238.56	229.01	160.01	180.25	200.60	245.54	180.00	181.01
Europe (730)	203.25	0.5	195.11	135.09	153.35	174.09	0.4	3.02	202.19	194.09	135.61	152.76	173.43	204.70	169.63	171.38
Nordic (137)	282.25	2.1	270.95	187.60	212.96	244.08	1.4	2.04	276.30	265.24	185.32	208.76	240.84	295.02	222.22	232.64
Pacific Basin (833)	164.50	−0.2	157.91	109.34	124.11	112.56	−0.9	1.17	164.90	158.29	110.60	124.59	113.61	171.87	145.95	152.56
Euro-Pacific (1563)	180.54	0.1	173.31	120.00	136.22	135.92	−0.3	2.04	180.33	173.11	120.95	136.25	136.35	189.39	156.37	160.31
North America (732)	257.60	1.1	247.28	171.21	194.36	257.02	1.1	2.19	254.83	244.63	170.92	192.54	254.25	262.26	192.77	193.26
Europe Ex. UK (525)	183.01	0.7	175.69	121.64	138.08	147.00	0.4	2.45	181.80	174.52	121.94	137.36	146.35	184.61	152.92	155.18
Pacific Ex. Japan (351)	289.85	−0.3	278.25	192.65	218.69	254.56	−0.1	2.98	290.72	279.08	194.99	219.65	254.83	292.69	229.25	232.53
World Ex. US (1755)	181.78	0.0	174.50	120.82	137.15	140.13	−0.3	2.06	181.70	174.43	121.87	137.28	140.58	184.71	156.72	160.52
World Ex. UK (2181)	204.85	0.5	196.65	136.16	154.56	171.20	0.3	1.93	203.76	195.62	136.68	153.96	170.69	207.64	166.82	169.47
World Ex. Japan (1904)	238.46	0.7	228.92	158.50	179.92	224.16	0.7	2.53	236.75	227.27	158.79	178.87	222.55	240.96	187.55	187.76
The World Index (2386)	207.29	0.5	198.99	137.78	156.40	175.90	0.3	2.12	206.25	197.99	138.34	155.83	175.38	209.68	169.20	171.63

CONSTITUENT CHANGE WITH EFFECT 23/2/96: Deletion: Shellerup Group (New Zealand). Latest prices were unavailable for this edition. Markets closed 21/2/96: Brazil, Hong Kong, Malaysia and Singapore.